TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1961

No. 244

DAIRY QUEEN, INC., PETITIONER,

vs.

HON. HAROLD K. WOOD, JUDGE, ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

PETITION FOR CERTIORARI FILED JULY 21, 1961
CERTIORARI GRANTED OCTOBER 16, 1961

SUPREME COURT OF THE UNITED STATES

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INDEX

RECORD PRESS, PRINTERS, NEW YORK, N. Y., NOVEMBER 6, 1961

[fol. 1]

IN THE
UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

DAIRY QUEEN, INC., a corporation, Petitioner,

vs.

THE HON. HAROLD K. WOOD, Judge of the United States District Court of the Eastern District of Pennsylvania, Respondent.

PETITION FOR WRIT OF MANDAMUS—Filed June 12, 1961

To the Honorable, the Judges of the United States Court of Appeals, Third Circuit:

Comes now Dairy Queen, Inc., the Petitioner above named, and respectfully applies for a writ of mandamus and submits the following facts and documents to support the issuance of the said writ of mandamus:

1. Jurisdiction of this Court of the instant petition for writ of mandamus arises under 28 U.S.C.A. 1651. (*Beacon Theatres, Inc.* v. *Westover,* 359 U.S. 500, 79 S.Ct. 948, 957)

2. A. Respondent is The Honorable Harold K. Wood, Judge of the United States District Court for the Eastern District of Pennsylvania.

B. The real parties in interest are H. A. McCullough and H. F. McCullough, a partnership, doing business as McCullough's Dairy Queen, herein called "McCullough", and Dairy Queen, Inc., herein called "Petitioner".

[fol. 2] 3. On November 21, 1960, McCullough filed its Complaint as a civil action, No. 28876, in the United States District Court for the Eastern District of Pennsylvania, in which there was included second-named plaintiffs not herein involved, recited as Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Executrix

of the Estate of Howard S. Dale, deceased. A true and correct copy of the Complaint is hereto attached and marked Exhibit "A".

4. The Complaint of McCullough made the following allegations:

A. Jurisdiction was founded on diversity of citizenship of the parties and an amount in controversy exceeding the sum of $10,000.

B. McCullough, together with a predecessor, originated the name "Dairy Queen" in 1940 and to December 30, 1946, used the name in connection with the sale by them in the continental United States of a frozen dairy product made in accordance with a special formula. On January 2, 1947, McCullough registered the trademark "Dairy Queen" in Pennsylvania as a frozen dairy product, which registration has since been renewed and is current.

C. McCullough licensed persons throughout the United States to use its trademark "Dairy Queen", supplied plans and specifications of a distinctive prototype building displaying the name "Dairy Queen", spent large sums of money advertising and promoting the name "Dairy Queen" throughout the United States, devoted substantial amounts of its time to the inspection of "Dairy Queen" franchise stores operating throughout the United States in order to insure uniformity and quality of the product sold as "Dairy Queen", and as a result of other efforts and expen- [fol. 3] ditures of time and money established the name "Dairy Queen" in the minds of the consuming public with a uniform product of consistently high quality sold only at clean and attractive stores of uniform design.

D. (1) By written agreement dated October 18, 1949, herein called "territory agreement", McCullough granted to the second-named plaintiffs a franchise for the exclusive right to use the trademark "Dairy Queen" in certain portions of the Commonwealth of Pennsylvania.

(2) As a result of intervening assignments, Petitioner became the transferee of the said territory agreement on December 23, 1949.

(3) A copy of the said territory agreement is attached to the Complaint as Exhibit "A".

E. Paragraph 4 of the territory agreement recited the total consideration payable for the franchise to use the trade name "Dairy Queen" as follows:

> "4. Pay direct to McCulloughs Dairy Queen (name adopted by First Party), successors or assigns, at his office the sum of One Hundred Fifty Thousand and No/100 Dollars ($150,000.00) in cash as follows:
>
> "(a) $1,000.00 cash, at once.
>
> "(b) $149,000.00 Balance, as soon as possible but payable in not less than the amounts as follows:
>
> "1—50% forthwith of all amounts of sales of franchises or Territorial rights made by second Party under contracts sold by Second Party, and in addition, 50% of the sale value of all said franchise or territorial rights used by Second Party.
>
> "2—The aggregate total amount paid to First Party by Second Party under Subsection 1 above, and this Subsection 2 shall be not less than the amount of $18,625.00 in the year ending October 15, 1950, and in each year ending on October 15th thereafter, until the said total amount of $149,000.00 has been fully paid to First Party as provided under this section (b) of paragraph 4."

[fol. 4] F. It was alleged that Petitioner "for a number of years" had ceased paying the aforesaid fifty per cent of franchises sold as well as the annual minimum payments.

G. Paragraph 14 of the Complaint is as follows:

> "14. Defendant (Petitioner) is in *default** to McCullough's Dairy Queen *under the said contract*, 'Exhibit A', in excess of $60,000.00."

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* Emphasis throughout supplied.

H. On *August 26, 1960*, McCullough notified Petitioner by letter, a copy of which is attached to the Complaint and marked Exhibit "C", as follows:

"August 26, 1960

"Dairy Queen, Inc.
"Route 10, Box 80
"Olympia, Washington

"Gentlemen:

"This letter is to advise you that your failure to pay *the amounts required in your contract* with McCullough's Dairy Queen for the 'Dairy Queen' franchise for the State of Pennsylvania, as called for *in your contract* with your assignors, constitutes in our opinion a material breach of that contract.

"This will advise you that unless this material breach is completely satisfied for the *amount due and owing*, your franchise for 'Dairy Queen' in Pennsylvania is hereby cancelled.

"Copies of this letter are being sent to your assignors.

"Very truly yours,

"Owen J. Ooms"

1. There were three separate prayers for relief:

(1) An injunction to restrain Petitioner from using in any wise or manner the trademark "Dairy Queen".

[fol. 5] (2) "Ordering an accounting to determine the exact amount of money *owing by defendant* to McCullough's Dairy Queen, and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount."

(3) An injunction to restrain Petitioner from collecting sums payable to it in the conduct of its Dairy Queen franchise and requiring said sums to be paid into the registry of the court.

5. On March 1, 1961, Petitioner filed its pleading entitled Answer and New Matter, Exhibit "B" hereto attached, and alleged the following defenses:

A. That on or about January *of 1955* the parties had entered into an oral agreement modifying the manner in which the balance of the total consideration of $150,000 was to be paid, in that effective with October 15, 1954, the obligation of Petitioner to make the aggregate annual payment of $18,625 was no longer required but that thereafter Petitioner would pay McCullough fifty per cent of the proceeds received from the sale of sublicenses made under the said agreement. It was further alleged that pursuant to the said oral arrangement and modification agreement Petitioner had paid to the plaintiffs the amounts which represented fifty per cent of the proceeds of the said license as follows:

December 29, 1956	$5,000.00
April 20, 1959	5,000.00
January 7, 1960	2,887.50
September 30, 1960	3,970.20*

[fol. 6] B. That McCullough was barred from the relief prayed for by virtue of:

(1) The misuse and continued misuse of the Dairy Queen trademark because McCullough had conspired with others throughout the United States to extend the payment of royalties for the use of a patented freezer which had been licensed under the said agreement of October 18, 1949, beyond the expiration date of said patent.

(2) By compelling Petitioner to use the patented freezer and to purchase it solely through McCullough, and by conspiring with the manufacturers of the freezer so that sales would be made only to those licensed by McCullough under the Dairy Queen trademark.

(3) By virtue of violations and continued violations of the anti-trust laws of the United States in participating in

---

* In the record filed in this Court at No. 13,522, which was an appeal from an Order in the instant case granting a preliminary injunction, at Page 97a there appears a photocopy of the ledger sheet of McCullough which indicates that as of January 7, 1960, the balance due was $61,354.37. The additional payment of September 30, 1960, has reduced this balance to $57,384.17.

a conspiracy to restrain competition in the manufacture and sale of the patented freezer.

C. That McCullough had been guilty of laches.

D. That McCullough was estopped from declaring a breach of the contract because it had knowledge of the breach on October 16, 1954, and permitted the Petitioner to spend upward of $300,000 in the further development of the franchise territory thereafter.

6. Petitioner demanded, by inclusion in the pleading and endorsement thereon, a jury trial.

7. A. On the 9th day of March, 1961, McCullough caused to be filed a Motion to strike the Petitioner's demand for a trial by jury and in support thereof assigned the following reasons:

> [fol. 7] "1. The pleading referred to above is not and was not properly filed in the District Court, in that when it was filed, the record in the case had already been transmitted to the United States Court of Appeals for the Third Circuit, and had been there docketed.
>
> "2. Under Rule 38 of the Federal Rules of Civil Procedure, defendant's demand for a jury trial is untimely.
>
> "3. In any event, the issues herein are not triable of right by a jury. Hence, under Rule 38, defendant is not entitled to a jury trial with respect thereto." (A copy is hereto attached and marked Exhibit "C")

B. McCullough's Motion was subsequently argued before the Honorable Harold K. Wood on the 9th day of May, 1961, subsequent to which on June 1, 1961, the following Order was made:

> "And now, to wit, this 1st day of June, 1961, It Is Ordered that the plaintiffs' motion to strike the defendant's demand for a trial by jury is hereby Granted. This action is to be heard on the merits by

the Court sitting without a jury on June 27, 1961, at 10 a.m."

7. The Order was accompanied by a Memorandum of Judge Wood, a copy of which is hereto attached and marked Exhibit "D".

8. A. The ground stated by the Honorable Harold K. Wood, respondent, was in essence that:

"... the nature of the plaintiffs' case is purely equitable"

either as:

(1) " . . . a claim for relief for infringement of a trademark" . . .

(2) " . . . a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark 'Dairy Queen' in Pennsylvania . . . "

(3) " . . . a claim to injunctive relief coupled with an incidental claim for damages, . . . "

[fol. 8] B. It was further stated that:

"... Incidental to this relief, the Complaint also demands the $60,000 now allegedly *due and owing* plaintiffs *under the aforesaid contract.*",

and:

"... if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. . . . "

9. A. It is respectfully represented that McCullough's claim, which it contended matured by the notice of August 26, 1960, was an action at law to recover a balance due under the territory agreement between the parties, and that the Order of the Honorable Harold K. Wood, Respondent, unlawfully deprived Petitioner of the right to a jury

trial of said issue under the Seventh Amendment to the Constitution of the United States.

B. In addition, the aforesaid Order of June 1, 1961, striking Petitioner's demand for trial by jury unlawfully deprived Petitioner of the right to jury trial under the Seventh Amendment to the Constitution of the United States in its defenses raised by "Answer and New Matter" as to whether or not there had been a parol modification of that portion of the territory agreement which amended the requirement for the annual minimum payment; as to whether or not McCullough was chargeable with violations of the anti-trust laws of the United States.

10. A. Petitioner respectfully represents that if the instant case is tried without a jury it will be put to difficulties insurmountable, and under the principles of res judicata and the law of the case a prior determination by the trial judge will bar a subsequent jury determination of the issues which are common to both the equitable and common law actions asserted in the Complaint.

[fol. 9] B. It is further respectfully represented that in a trial with a jury, the jury could determine whether the territory agreement was modified as asserted by Petitioner, and that this determination would either settle the entire cause of action or become the basis for a decision by the trial judge of the equitable cause of action.

11. Accompanying this Petition is a Memorandum in support hereof.

12. Petitioner has no speedy or adequate remedy in the ordinary course of law.

13. Wherefore, Petitioner respectfully prays:

A. That an alternative writ of mandate be issued out of and under the seal of this Court directed to and commanding the Honorable Harold K. Wood, Respondent:

(1) To vacate his Order striking Petitioner's demand for a jury trial as to the Complaint and Answer; and

(2) Specifying that the issue to be tried to the jury shall be the question as to whether or not there is due McCullough any portion of the sum of $60,000 claimed by it under the provisions of the territory agreement or whether or not there has been any default by Petitioner of the agreement between the parties as it may be found to exist.

B. That upon the return of the alternative writ and the hearing upon the Order to show cause a peremptory writ of [fol. 10] mandamus be issued to the Honorable Harold K. Wood, Respondent, commanding and directing him as herein prayed.

C. That the Court grant such further relief as may be appropriate in the premises.

Michael H. Egnal, Esq., 1315 Walnut Street, Philadelphia 7, Pennsylvania, Attorney for Petitioner.

[fol. 11] *Duly Sworn to by Michael H. Egnal jurat omitted in printing.*

[fol. 12]

EXHIBIT "A" TO PETITION

COMPLAINT.

Plaintiffs, H. A. McCullough and H. F. McCullough, doing business as McCullough's Dairy Queen (hereinafter sometimes referred to as "McCullough's Dairy Queen"), allege as follows:

1. Plaintiffs, H. A. McCullough and H. F. McCullough, are a partnership doing business as McCullough's Dairy Queen, and have a place of business at Moline, Illinois. Plaintiff Burton F. Myers, an individual, is a citizen of the State of Minnesota, residing at St. Paul, Minnesota. Plaintiff Robert J. Rydeen, an individual, is a citizen of the State of Minnesota, residing in St. Paul, Minnesota. Plaintiff M. E. Montgomery, an individual, is a citizen of the State of Arizona, residing in Tucson, Arizona. Plaintiff Lorraine Dale, Executrix of the Estate of Howard S. Dale,

deceased, is a citizen of the State of Minnesota, residing in Minneapolis, Minnesota.

2. Defendant, Dairy Queen, Inc., is a corporation organized and existing under the laws of the State of Washington, which is registered to do business in the Commonwealth of Pennsylvania and has an office and place of business within this District.

3. Jurisdiction of the within matter is founded on diversity of citizenship of the parties and the amount in controversy in this action exceeds the sum of $10,000, exclusive of interest and costs.

4. Said H. A. McCullough, together with a former partner of plaintiff, originated the name "DAIRY QUEEN" in 1940, and from that date to December 30, 1946, used said name in connection with the sale by them, or by others franchised by them, of a frozen dairy product made in accordance with a special formula developed by McCullough's Dairy Queen's predecessor, in the continental United States. On January 2, 1947, H. A. McCullough, under the name of McCullough's Dairy Queen, registered the trademark [fol. 13] "DAIRY QUEEN" for a frozen dairy product in Pennsylvania, which registration has since been renewed and is current and subsisting and has been and is still the property of McCullough's Dairy Queen.

5. McCullough's Dairy Queen has franchised and licensed persons to use its trademark "DAIRY QUEEN" throughout the United States and the Commonwealth of Pennsylvania through state and district operators.

6. McCullough's Dairy Queen and its predecessors have had prepared, under their direction and supervision, plans and specifications of a distinctive prototype building, on which the name "DAIRY QUEEN" is prominently displayed, to be used by all "DAIRY QUEEN" retail stores. They have supplied blueprint copies of these plans and specifications to each state or district franchise operator throughout the United States, to be delivered by them to each of the store franchise operators in their territory to be used by them in the construction of the store buildings

in which the frozen dairy product known as "DAIRY QUEEN" is sold. The district or state franchise operators have so delivered these copies of plans and specifications and the store franchise operators have so used these plans and specifications. Every one of the more than three thousand (3,000) "DAIRY QUEEN" stores throughout the United States has been built on the basis of these plans and specifications developed and distributed by McCullough's Dairy Queen and its predecessors, and as a result each "DAIRY QUEEN" store presents a distinctive appearance.

7. McCullough's Dairy Queen has spent large sums of money advertising and promoting the name "DAIRY QUEEN" throughout the United States and to the consumer public throughout the United States. McCullough's Dairy Queen has also spent large sums of money and has devoted substantial amounts of its time to the inspection of "DAIRY QUEEN" franchise stores operating throughout the United States in order to insure that the uniformity and quality [fol. 14] of the product sold as "DAIRY QUEEN" is maintained and to insure that the stores themselves are kept clean and attractive. Further, McCullough's Dairy Queen has spent substantial amounts of time and money in the development and improvement and inspection of machines used in the sale of "DAIRY QUEEN" so as to maintain and improve the quality of the frozen dairy product sold at "DAIRY QUEEN" franchise stores; in the development of methods of improving the quality, taste and uniformity of the product sold as "DAIRY QUEEN" by local store franchise operators throughout the United States; the development of uniform designs and markings for containers in which the product is sold to the public; and in the training and education of store franchise operators and their employees in the proper operation of local stores for the sale of the frozen dairy product known as "DAIRY QUEEN". By reason of McCullough's Dairy Queen's efforts and expenditures of money, the name "DAIRY QUEEN" has become associated in the minds of the consuming public with a uniform product of consistently high quality sold only at clean and attractive stores of uniform design operated by persons following substantially identical sales and operating methods, and the consuming public throughout the United States now regards all arti-

cles sold under the name "DAIRY QUEEN" as the products of one organization.

8. On October 18, 1949, McCullough's Dairy Queen's predecessors, namely a partnership consisting of H. A. McCullough, H. F. McCullough and J. F. McCullough, entered into an agreement with Messrs. Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Howard S. Dale, decedent of plaintiff Lorraine Dale herein, for the exclusive right to use the trademark "DAIRY QUEEN", among other things, in certain portions of the Commonwealth of Pennsylvania in consideration of the payment of certain sums, and providing for reversion to them in the event of default, and that the title to the territory granted remain vested in the McCulloughs, and also reserving the right to the [fol. 15] trademark "DAIRY QUEEN" in the Commonwealth of Pennsylvania, except as specifically granted in separate agreements. A copy of the aforesaid agreement of October 18, 1949, is attached hereto and made a part hereof and marked as "Exhibit A".

9. On November 29, 1949, all of the rights granted in the contract of October 18, 1949, were assigned and transferred over to third parties, not here important, and on December 23, 1949, the October 18, 1949 agreement was assigned and transferred over to the defendant, Dairy Queen, Inc. A copy of the aforesaid assignment and transfer of December 23, 1949, is attached hereto and made a part hereof and marked as "Exhibit B". In this document defendant assumed the performance of all obligations to McCullough's Dairy Queen set forth in the October 18, 1949 agreement.

10. In the October 18, 1949, agreement, defendant's predecessors agreed to pay four cents (4¢) a gallon on all mix used or sold through any and all "DAIRY QUEEN" stores, the said payment to be made to Ar-Tik Systems, Inc., of Miami, Florida, and the defendant's predecessors further agreed to pay to McCullough's Dairy Queen the sum of $150,000.00 with a small partial initial payment and the remaining payments to be made at 50% of all amounts on sales of franchises or territorial rights made by defen-

dant and its predecessors, or 50% of the sale value of all franchise or territorial rights used by defendant's predecessors, the said $150,000.00 payment to be completed within a certain period of time, all as set forth in said contract.

11. Defendant respected said agreement of October 18, 1949, and made the payment of four cents (4¢) a gallon for a number of years and has made some payments in accordance with the said contract on the sale price of $150,000.00.

12. Defendant has, for a number of years, ceased paying the aforesaid 50% of the value of all franchises sold or [fol. 16] used by defendant as required in the contract, "Exhibit A", as well as to make certain annual minimum payments, although since that date defendant has continued to receive money from the sale of such franchises and has continued to have the benefit of use of certain territories, all of which has unjustly enriched defendant and constitutes a material breach of said contract.

13. McCullough's Dairy Queen, on information and belief, has been informed that defendant is in a precarious financial condition which has led McCullough's Dairy Queen to believe that unless defendant is enjoined by this Court, McCullough's Dairy Queen may lose, through bankruptcy or other action of defendant, its rights to money that has previously been collected and/or may hereafter be collected by defendant for the benefit of McCullough's Dairy Queen. Furthermore, McCullough's Dairy Queen fears that the operation of "DAIRY QUEEN" stores in defendant's territory as set forth in the said contract, "Exhibit A", will be in jeopardy and not in accordance with standards required in the said contract, unless defendant is enjoined as hereinafter provided; which operation of the stores in defendant's territory, initiated and promoted by McCullough's Dairy Queen, is important from the standpoint of the nationwide reputation of "DAIRY QUEEN" stores.

14. Defendant is in default to McCullough's Dairy Queen under the said contract, "Exhibit A", in excess of $60,000.00.

15. McCullough's Dairy Queen, on information and belief, has further been informed that defendant, by reason of its failure to pay the 4¢ per gallon to Ar-Tik Systems, Inc., hereinbefore referred to, has been sued by Ar-Tik Systems, Inc.; and that said suit on September 13, 1960, resulted in an adjudication by the United States District Court for the Eastern District of Pennsylvania which, when liquidated by judgment, will result in defendant's liability to Ar-Tik Systems, Inc., in an amount in excess of [fol. 17] $100,000.00, as nearly as the same can presently be estimated. This leads McCullough's Dairy Queen to believe that unless defendant is enjoined by this Court, McCullough's Dairy Queen may lose, through bankruptcy or other action of defendant, the rights to money that has previously been collected by defendant for the benefit of McCullough's Dairy Queen.

16. By reason of the aforesaid, in accordance with paragraph nine of "Exhibit A", McCullough's Dairy Queen, on August 26, 1960, notified defendant by letter that defendant had been guilty of a material breach of the said contract; and that unless defendant cured its breach, its Dairy Queen franchise was cancelled. A copy of the aforementioned letter is attached hereto and made a part hereof, marked "Exhibit C". Defendant has not cured its default since the date of the aforesaid notice letter. McCullough's Dairy Queen, on information and belief, is further informed that defendant is contesting the right of McCullough's Dairy Queen to cancel its franchise agreement.

17. Subsequent to the notice letter referred to in paragraph sixteen, above, and following the cancellation of defendant's franchise accomplished thereby, defendant nevertheless continued, is continuing and threatens to continue to operate and to license others or franchise others to operate the Dairy Queen franchise in the pertinent Commonwealth of Pennsylvania territory, and to conduct business with the Dairy Queen stores and all other Dairy Queen business as an authorized and licensed Dairy Queen operator, all of which is in violation of the aforesaid cancellation and constitutes infringement by defendant of McCullough's Dairy Queen's trademark "Dairy Queen".

18. In all of the foregoing premises, McCullough's Dairy Queen is threatened with immediate and irreparable injury and loss and McCullough's Dairy Queen has no adequate remedy at law.

[fol. 18] WHEREFORE, McCullough's Dairy Queen prays that this Honorable Court shall issue a preliminary injunction and, after a final hearing thereon, issue a permanent injunction:

(A) Enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them from

1. Using or licensing others to use McCullough's Dairy Queen trade mark "DAIRY QUEEN";

2. Holding themselves out as an authorized "DAIRY QUEEN" operator;

3. Conducting any business operations in the manner and/or style of a "DAIRY QUEEN" operator;

4. Otherwise unfairly competing with McCullough's Dairy Queen and/or its other operators in the Commonwealth of Pennsylvania.

(B) Ordering an accounting to determine the exact amount of money owing by defendant to McCullough's Dairy Queen, and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount;

(C) Pending an accounting hereunder, enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them, from collecting any and all sums of money from Dairy Queen operators and mix plants and further requiring defendant through an authorized officer to advise and instruct Dairy Queen store operators and Dairy Queen mix suppliers to pay over any and all sums of money collected or to be collected, by way of royalty from the Dairy Queen stores into the registry of this Honorable

[fol. 19] Court, there to await such disposition as this Honorable Court may further direct.

And, McCullough's Dairy Queen further prays that it may have such other and further relief as may seem just in the premises to this Honorable Court, together with attorneys' fees, interest and costs.

Plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, for their cause of action, allege as follows:

19. Plaintiffs Myers, Rydeen, Montgomery and Dale reallege and reiterate paragraphs one through eighteen of the foregoing complaint as though fully set forth herein.

20. By reason of defendant's default under "Exhibit A", plaintiffs Myers, Rydeen, Montgomery and Dale are liable to McCullough's Dairy Queen in the event that defendant cannot meet the obligations imposed upon it by "Exhibit A"; and defendant will then also be liable to plaintiffs Myers, Rydeen, Montgomery and Dale, in the same amount.

21. Plaintiffs Myers, Rydeen, Montgomery and Howard S. Dale, decedent of plaintiff Lorraine Dale herein, entered into an agreement with defendant, dated December 29, 1956, a copy of which is attached hereto and made a part hereof as "Exhibit D", whereby plaintiffs Myers, Rydeen, Montgomery and Dale are entitled to receive certain royalties from the "Dairy Queen" operations under the franchise agreement of "Exhibit A", which amounts are threatened to be extinguished by reason of defendant's breach of the contract, "Exhibit A" and the consequent cancellation thereof by McCullough's Dairy Queen.

22. Defendant is presently in separate default under "Exhibit D" in that it has failed to pay to plaintiffs Myers, Rydeen, Montgomery and Dale all of the amounts of money thereunder due and owing to them during the year 1960.

23. By reason of all of the foregoing, the business interests of plaintiffs Burton F. Myers, Robert J. Rydeen, [fol. 20] M. E. Montgomery and Lorraine Dale under the

aforesaid contracts are threatened with immediate and irreparable damage and loss, and will be so threatened, as to all of which plaintiffs Myers, Rydeen, Montgomery and Dale have no adequate remedy at law, unless defendant is removed as the authorized Dairy Queen operator; is made to account for monies due and owing McCullough's Dairy Queen and plaintiffs Myers, Rydeen, Montgomery and Dale; and is required to pay and/or compel payment of any future royalties received into the registry of this Honorable Court.

WHEREFORE, plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale pray that this Honorable Court shall favorably entertain the application for relief made hereinabove by plaintiff McCullough's Dairy Queen; and join in the several prayers for relief as heretofore made by McCullough's Dairy Queen.

KRUSEN, EVANS & SHAW,
By MARK D. ALSPACH,
Attorneys for Plaintiffs, H. A. McCullough and H. F. McCullough, a partnership d.b.a. McCullough's Dairy Queen.

KRUSEN, EVANS & SHAW,
By MARK D. ALSPACH,
Attorneys for Plaintiffs, Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Exrx. of Est. of Howard S. Dale, Deceased.

Of Counsel:

OOMS, WELSH AND BRADWAY,
OWEN J. OOMS AND
MALCOLM S. BRADWAY,
One North LaSalle Street,
Chicago 2, Illinois.

[fol. 21]

AFFIDAVIT.

STATE OF
COUNTY OF } ss.:

BURTON F. MYERS, being first duly sworn, deposes and states as follows:

1. I am one of the plaintiffs set forth in the complaint which is attached hereto.

2. I have read the foregoing complaint and know the contents thereof and that as to paragraphs 1, 2, 20, 21, 22 and 23 of the foregoing complaint, I believe those matters therein to be true of my own knowledge.

3. As to the allegations of the remainder of the complaint, I believe them to be true.

Further affiant sayeth not.

BURTON F. MYERS.
Burton F. Myers.

Subscribed and sworn to before me this 27th day of September, 1960.

(Seal)

G. D. SMEDBERG,
Notary Public, Hennepin County, Minn.
My Commission Expires Aug. 17, 1961.

[fol. 22]

AFFIDAVIT.

STATE OF ILLINOIS }
COUNTY OF } ss.:

HUGH F. MCCULLOUGH, being first duly sworn, deposes and states as follows:

1. I am a partner of McCullough's Dairy Queen and I am one of the plaintiff's set forth in the complaint which is attached hereto.

2. I have read the foregoing complaint and know the contents thereof, and that those allegations set forth in the complaint for McCullough's Dairy Queen cause of action are true of his own knowledge, except to those matters alleged on information and belief and as to those matters, I believe them to be true.

3. As to those allegations set forth in the complaint in the cause of action of Burton F. Myers, Robert J. Rydeen, and M. E. Montgomery, I believe them to be true.

Further affiant sayeth not.

HUGH F. MCCULLOUGH.
Hugh F. McCullough.

Subscribed and sworn to before me this 24th day of September, 1960.

(Seal)

BETTY J. GREEN,
Notary Public.

[fol. 23]

EXHIBIT A TO COMPLAINT

FREEZER AND TERRITORY AGREEMENT.

This agreement entered into at Moline, Illinois, this 18th day of October, 1949, by and between

H. A. McCULLOUGH *acting for*
H. A. McCULLOUGH, H. F. McCULLOUGH AND J. F. McCULLOUGH UNDER THE NAME AND STYLE OF McCULLOUGHS DAIRY QUEEN

of the City of Geneseo, County of Henry and the State of Illinois, hereinafter referred to as FIRST PARTY; and

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY AND HOWARD DALE
UNDER THE NAME AND STYLE OF DAIRY QUEEN OF PENNSYLVANIA

of the City of St. Paul, County of Ramsey, and the State of Minnesota, hereinafter referred to as SECOND PARTY,

WITNESSETH

WHEREAS, First Party has on file with the Department of State of the State of Pennsylvania, the trade-mark "Dairy Queen" as afforded by such registration, which name shall be used only for a frozen dairy product (known as Dairy Queen) within the State of Pennsylvania.

WHEREAS, the Patent on the Freezing and Dispensing Machine is owned by the Ar-Tik Systems, Inc. of Miami, Florida; Patent Number is 2080971; the rights to manufacture, use, sell, and/or Sub-contract to other parties under said Patent, were granted to H. A. McCullough by the Ar-Tik Systems, Inc.

[fol. 24] WHEREAS, Second Party desires to acquire from First Party rights to develop certain portions of the State of Pennsylvania and rights to use machines manufactured under Patent Number 2080971, and certain rights to the use of the trade-mark "Dairy Queen" within said certain

portions of the State of Pennsylvania as hereinafter provided.

Now Therefore, Second Party being fully advised in the premises hereby offers and upon acceptance hereof by First Party, hereby agrees to do the following:

1. Exclude from this agreement certain areas of Pennsylvania heretofore contracted by First Party to others: County of Allegheny and Cities of Greensburg, Uniontown, Washington, Pottstown, Phoenixville, Bethlehem, West Chester, Coatsville, Norristown, Chester, Reading, Allentown, Easton, and the customary adjacent areas thereto under and for fair trade and competition purposes; and such exclusions shall be recognized throughout this agreement even though, for convenience and brevity, the full name, Pennsylvania, may be used.

2. Take over and conduct the operations of development of the said certain portions of Pennsylvania on October 18, 1949 and thereafter, all at the sole cost, risk, and expense of Second Party.

3. Pay direct, or cause to be paid direct, to Ar-Tik Systems, Inc., 1801 NW 17th Avenue, Miami, Florida, the sum of four cents a gallon on all mix used or sold through any and all Dairy Queen Stores and/or said Freezing and Dispensing Machines operated in Pennsylvania by Second Party and/or their Sub-contractors, from the beginning of operations hereof, in the nature of a royalty regardless of the expiration of patent on said machines. Said payment shall be computed at the end of each months operation for the total number of gallons of mixes used, and remitted by [fol. 25] the tenth day of the following month. Where powdered or concentrated mixes are used, the payment per gallon shall be based upon their equivalent in liquid mix.

4. Pay direct to McCulloughs Dairy Queen, (name adopted by First Party), successors or assigns, at his office the sum of One Hundred Fifty Thousand and No/100 Dollars ($150,000.00) in cash as follows:

(a) $1,000.00 cash, at once.

(b) $149,000.00 Balance, as soon as possible but payable in not less than the amounts as follows:

1—50% forthwith of all amounts of sales of franchises or Territorial rights made by Second Party under contracts sold by Second Party, and in addition, 50% of the sale value of all said franchise or territorial rights used by Second Party.

2—The aggregate total amount paid to First Party by Second Party under Subsection 1 above, and this Subsection 2 shall be not less than the amount of $18,625.00 in the year ending October 15, 1950, and in each year ending on October 15th thereafter, until the said total amount of $149,000.00 has been fully paid to First Party as provided under this section (b) of paragraph 4.

5. Conform and maintain all store operations, in manner and to extent acceptable by First Party or his agents, in sole discretion and opinion of First Party, to the methods and ethics of other Dairy Queen operators and the general provisions of agreements now in force in other States. Included, not by way of limitation, among the said methods are the keeping of records of all mixes used or sold, furnishing to First Party the name and address of each mix supplier, keeping records of the serial numbers and locations of all machines within the State of Pennsylvania; submitting mix reports to First Party and to Ar-Tik [fol. 26] Systems, Inc., showing the serial numbers and locations of the machines covered by said reports. Permit free access of First Party, Ar-Tik Systems, Inc., or any person representing them, to such records for the purpose of determining full compliance with the terms of this agreement.

6. Keep and maintain First Party as a free independent contractor having no partnership or similar interest in the business or operations of Second Party or others, and free and harmless from any and all liability therefrom, including, not by way of limitation, public liability, misdemeanors, legal suits, both domestic and commercial, tax

liens of any kind or nature, that Second Party may be liable for.

7. That the Second Party or any others, shall not sell or offer for sale any other frozen or semi-frozen dairy product, use any other type or make of freezer, or sell any of the said machines, move any of the said machines purchased through First Party outside of the State of Pennsylvania for the purpose of operating them, without first obtaining the written consent and approval of the First Party. The two copies of each sub-contract shall be forwarded to the office of First Party within ten days after it is completed and signed.

8. That Second Party shall order through First Party all of said machines needed for said development, at the manufacturers selling price f.o.b. factory. Said prices may vary from time to time dependent upon costs of material and labor. First Party does not guarantee prices, delivery dates, or furnish parts or labor free of charge on the said machines. Second Party shall take up with manufacturer the matter of any necessary adjustments for unsatisfactory or defective parts or machines. First Party or Second Party shall not be required to assume responsibility for defending Patent Number 2080971, as such defense is an obligation of Ar-Tik Systems, Inc.

[fol. 27] 9. Admit that failure of Second Party to make the payments promptly as required herein and/or any other breach of any of the provisions of this agreement, and declared to Second Party by First Party by thirty days written notice mailed to last known address of Second Party, shall cause any rights of Second Party hereunder to cease and become null and void within said thirty day period, unless default is corrected. It is further understood and agreed that in event this contract is terminated under conditions above described, that rights to all undeveloped territory in the State of Pennsylvania will revert to First Party and balance of any monies due First Party from the sale of sub-franchises by the Second Party, as herein provided, will remain due and payable to them.

10. That the rights hereunder are granted to the Second Party solely for convenience of the First Party in the development of the Pennsylvania territory and that title to said territory, nevertheless, remains vested with the First Party until released in part under contracts sold by Second Party, but subject, nevertheless, to the terms of this agreement; that performance by the Second Party hereunder shall be satisfactory to First Party in all respects; that the right to use the trade-mark "Dairy Queen" in the State of Pennsylvania is reserved to the First Party except as specifically granted by First Party in separate agreements. First Party shall have the irrevocable power and right to pledge, assign, sell, or otherwise transfer his rights under this agreement over to others with or without notice to Second Party.

11. That the Second Party will have the right to subdivide the State of Pennsylvania, for the purposes of this agreement, from time to time among sub-contractors. Second Party represents that it is possessed of the abilities, knowledge, training, and other requisites for the prompt, continuous, and business-like development of the said territory to the end that full payment shall be made to First [fol. 28] Party hereunder and in accordance with the understanding that time is the essence of this contract and agreement for the express purpose of paying in full the amount owing hereunder to First Party. However, if conditions arise that are beyond the control of the Second Party, such as a major war involving the USA, sickness, or disability, then adjustments or amendments between the parties hereto shall be made to recognize such conditions considered necessary.

12. That the maximum charge to all operators within the State of Pennsylvania for the rights to operate Dairy Queen Machines shall not exceed 29¢ a gallon on all of the mixes used or sold by them, unless and until First Party shall approve a higher charge per gallon.

First Party hereby accepts offer made by Second Party by execution of this agreement and

1. In consideration of $1.00 and other good and valuable considerations, in hand paid each to the other, and the mutual promises herein contained, First Party does hereby:

(a) Convey, transfer, grant, bargain, and sell, for the purposes of this agreement, unto Second Party, the following:

I.

An exclusive right to develop the certain territory of the State of Pennsylvania for the restricted conduct of the operation of Dairy Queen Stores, subject to the provisions of offer of Second Party as contained herein.

This agreement shall be binding upon the legal representatives, heirs, and beneficiaries, successors and assigns of the parties hereto.

If any provision of this agreement or the application thereof to any person or circumstances is held invalid, the remainder of this agreement and application of such provi-
[fol. 29] sion to other persons or circumstances shall not be affected thereby.

In Witness Whereof, the parties hereto have set their hands and seals, to this instrument on this 18th day of October 1949 at Moline, Illinois.

McCullough's Dairy Queen

/s/ H. A. McCullough
H. A. McCullough

/s/ H. F. McCullough
H. F. McCullough

Dairy Queen of Pennsylvania

/s/ Burton F. Myers
Burton F. Myers

/s/ M. E. Montgomery
M. E. Montgomery

/s/ Robert J. Rydeen
Robert J. Rydeen

/s/ Howard Dale
Howard Dale

[fol. 30]

EXHIBIT B TO COMPLAINT

ASSIGNMENT

In consideration of the assumption of DAIRY QUEEN, INC., a Washington corporation, of certain obligations as set forth herein, D. C. MARTIN, JR. and EDWARD THOMPSON, hereby transfer and assign to the said Dairy Queen, Inc., all their right, title and interest in that certain agreement dated November 29, 1949 between BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and HOWARD DALE, of St. Paul, Minnesota, doing business as "Dairy Queen of Pennsylvania", as first party, and C. D. Martin, Jr. and Edward Thompson as second party.

Dairy Queen, Inc. hereby accepts the assignment of said agreement and does hereby assume and undertake all of the obligations and duties imposed upon C. D. Martin, Jr. and Edward Thompson by the terms of said agreement, and in accordance with the terms thereof the said C. D. Martin, Jr. and Edward Thompson shall have no further personal liability under said agreement.

Dairy Queen, Inc. further agrees to hold the said C. D. Martin, Jr. and Edward Thompson free and harmless against any and all liability whatsoever arising out of or in connection with said agreement.

Dated at Seattle, Washington, this 23rd day of December, 1949.

/s/ C. D. MARTIN, JR.
(C. D. Martin, Jr.)

/s/ EDWARD THOMPSON
(Edward Thompson)

DAIRY QUEEN, INC.

By /s/ C. D. MARTIN, JR.
President

By /s/ EDWARD THOMPSON
Secretary-Treasurer

[fol. 31] The foregoing agreement is hereby accepted this 6th day of Jan., 1950.

/s/ Burton F. Myers
(Burton F. Myers)

/s/ Robert J. Rydeen
(Robert J. Rydeen)

/s/ M. E. Montgomery
(M. E. Montgomery)

/s/ Howard Dale
(Howard Dale)

Doing Business as Dairy Queen of Pennsylvania

Accepted this ——— day of ————, 19——.

McCullough's Dairy Queen

By: .....
(H. A. McCullough)

By: .....
(H. F. McCullough)

[fol. 32]

Exhibit C to Complaint

August 26, 1960

Dairy Queen, Inc.
Route 10, Box 80
Olympia, Washington

Gentlemen:

This letter is to advise you that your failure to pay the amounts required in your contract with McCullough's Dairy Queen for the "Dairy Queen" franchise for the State of Pennsylvania, as called for in your contract with your assignors, constitutes in our opinion a material breach of that contract.

This will advise you that unless this material breach is completely satisfied for the amount due and owing, your

franchise for "Dairy Queen" in Pennsylvania is hereby cancelled.

Copies of this letter are being sent to your assignors.

Very truly yours,

Owen J. Ooms

[fol. 33]

EXHIBIT "B" TO PETITION

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 28876

H. A. McCULLOUGH and H. F. McCULLOUGH, a partnership doing business as McCULLOUGH'S DAIRY QUEEN

and

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, Executrix of the Estate of HOWARD S. DALE, Deceased, Individuals

vs.

DAIRY QUEEN, INC.

DEFENDANT'S ANSWER & NEW MATTER

For answer to the paragraphs of the Complaint in the above-entitled cause, the defendant says:

1, 2. Admitted.

3. Denied that the plaintiffs Burton F. Myers, et al. have a claim for an amount in excess of $10,000.00 exclusive of interest and costs. The fact is that the defendant is not indebted to the said plaintiffs for any sums whatsoever.

4-7. Defendant alleges it is without knowledge or information sufficient to form a belief as to the truth of the

allegations contained in Paragraphs 4, 5, 6, 7, 8 and 9 of the Complaint, and, therefore, said allegations are denied.

[fol. 34] 8. The agreement of October 18, 1949, marked Exhibit "A", is admitted.

9. The assignment of December 23, 1949, marked Exhibit "B", is admitted.

10. Denied as stated. It is further alleged that the agreement referred to speaks for itself.

11, 12. Denied as stated. The fact is that the defendant has fully complied with the agreement of October 18, 1949.

13. Denied as stated. It is denied that the plaintiffs H. A. and H. F. McCullough have any claim or title to any funds collected by the defendant. The remaining averments of Paragraph 13 being argumentative and conclusions, no answer is made thereto.

14. Denied. The fact is that the defendant is in full compliance with the contract, Exhibit "A".

15. Denied as stated. The fact is that there has as yet been no final determination of defendant's liability to Ar-Tik Systems, Inc. for payments alleged to be due it under the said agreement marked Exhibit "A". The further fact is that the matter is on appeal in the United States Court of Appeals for this circuit, No. 13447.

[fol. 35] 16. The receipt of the letter marked Exhibit "C" is admitted. It is denied that the defendant was in default. The fact is that it was in full compliance with the said agreement.

17. Denied as stated. It is denied that the effect of the letter marked Exhibit "C" was a cancellation of the defendant's franchise. The fact is that the defendant was in full compliance with the said agreement and for further answer refers to the New Matter hereinafter set forth.

18. A. Denied.

B. It is averred that the Complaint upon which the plaintiffs H. A. McCullough and H. F. McCullough rely

fails to state a claim against the defendant upon which relief can be granted.

19. For answer, defendant refers to its answers to Paragraphs 1 to 18, inclusive.

20. It is denied that the plaintiffs Burton F. Myers et al. have any standing, claim or right as a party plaintiff in the instant action. The averments of Paragraph 20 of the Complaint are conclusions of law and require no specific answer. If it is intended as a claim through the first-named plaintiffs, H. A. McCullough et al., defendant incorporates herein Paragraph 24A, B and C. It is further averred that the averments of the Complaint relied upon by the plaintiffs Burton F. Myers et al. fail to state a claim against the defendant upon which relied can be granted.

[fol. 36] 21. The agreement marked Exhibit "D" is admitted.

22. Denied. The fact is that the defendant is in full compliance with the said agreement marked Exhibit "D".

23. Denied as stated. The fact is that the plaintiffs Burton F. Myers et al. have no claim in law or in equity against the defendant.

And for further defense:

24. A. Plaintiffs are barred from the relief prayed for by virtue of misuse and continued misuse of the "Dairy Queen" trademark by H. A. McCullough, H. F. McCullough and McCullough's Dairy Queen. The misuse which bars plaintiffs from the relief prayed for includes conspiring with others throughout the United States to extend the payment of royalties for the use of an invention covered by a United States patent beyond the expiration date of said patent, and said plaintiffs have participated in the enjoyment of such wrongfully extended royalties and seek to continue doing so. Plaintiffs have also misused said "Dairy Queen" trademark by compelling licensees thereunder to use a particular freezer and to purchase such freezers solely through plaintiffs, and plaintiffs have further misused said "Dairy Queen" trademark by conspiring with freezer manufacturers to restrict the sales of such

freezers only to those licensed by the plaintiffs under their "Dairy Queen" trademark.

[fol. 37] B. Plaintiffs are barred from the relief prayed for by virtue of violations and continued violations of the Antitrust laws of the United States by H. A. McCullough et al. The Antitrust violations which bar plaintiffs from the relief prayed for include conspiring with others to restrain competition in the manufacture and sale of freezer machines throughout the United States.

25. A. Plaintiffs H. A. McCullough and H. F. McCullough seek a forfeiture of the agreement marked Exhibit "A" and attached to the Complaint on the ground that there has been an omission to pay the annual minimum payment of $18,625.00 provided for Paragraph 4b(2). The fact is that this annual minimum payment has not been made since October 16, 1954, and it is averred that the said plaintiffs are barred from asserting this default as a result of

(1) Laches.

(2) Estoppel in that since October 16, 1954, the defendant with the full knowledge of the said plaintiffs has expended upward of $300,000. in the further development of the territory covered by the agreement marked Exhibit "A".

New Matter

26. On or about January of 1955 the plaintiffs H. A. McCullough and H. F. McCullough, acting by their authorized agent, Hugh F. McCullough, and Dean Mohler, acting on behalf of defendant, orally agreed that the agreement marked Exhibit "A" should be modified so that there [fol. 38] would no longer be any obligation on the part of defendant effective with October 15, 1954 for the defendant to make the said annual payment but that thereafter the defendant should pay the plaintiff 50% of the proceeds received by the defendant from the sale of sublicenses made under the said agreement.

27. Pursuant to the said oral arrangement and agreement modification, the defendant paid to and the said

plaintiffs received the sums hereinafter set forth on the dates indicated, representing 50% of the proceeds of the sublicenses made by the defendant:

December 29, 1956	$5,000.00
April 20, 1959	5,000.00
January 7, 1960	2,887.50
September 30, 1960	3,970.20

28. Defendant demands a trial by jury.

/s/ MICHAEL H. EGNAL
Michael H. Egnal,
Attorney for Defendant

Service of a copy of the above Answer on the 1st day of March, 1961, is acknowledged.

KRUSEN, EVANS & SHAW

By /s/ JOHN W. ENNIS, JR.
Attorneys for Plaintiffs

[fol. 39]

EXHIBIT "C" TO PETITION

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA
Civil Action No. 28876

H. A. McCULLOUGH and H. F. McCULLOUGH, a partnership, doing business as McCULLOUGH'S DAIRY QUEEN

and

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, Executrix of the Estate of HOWARD S. DALE, Deceased, Individuals

vs.

DAIRY QUEEN, INC.

MOTION TO STRIKE DEFENDANT'S DEMAND FOR A TRIAL BY JURY

Plaintiffs, by their attorneys, respectfully represent to this Honorable Court as follows:

1. Heretofore, on March 1, 1961, defendant filed and served upon counsel for plaintiffs a pleading entitled "Defendant's Answer & New Matter".

2. Paragraph twenty-eight of the foregoing pleading reads as follows: "Defendant demands a trial by jury". The backer of the foregoing pleading likewise bears the endorsement "Jury Trial Demanded", signed by counsel for defendant.

Now come plaintiffs and move this Honorable Court to [fol. 40] strike and to set aside defendant's demand for a jury trial, as set forth in paragraph twenty-eight of the pleading referred to above, and in the endorsement on the backer thereof, for the following reasons:

1. The pleading referred to above is not and was not properly filed in the District Court, in that when it was filed, the record in the case had already been transmitted to the United States Court of Appeals for the Third Circuit, and had been there docketed.

2. Under Rule 38 of the Federal Rules of Civil Procedure, defendant's demand for a jury trial is untimely.

3. In any event, the issues herein are not triable of right by a jury. Hence, under Rule 38, defendant is not entitled to a jury trial with respect thereto.

Respectfully submitted,

KRUSEN, EVANS & SHAW

By: /s/ MARK D. ALSPACH

Attorneys for Plaintiffs

[fol. 41]

EXHIBIT "D" TO PETITION

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 28876

Filed June 1, 1961

H. A. McCULLOUGH and H. F. McCULLOUGH, a partnership, doing business as McCULLOUGH'S DAIRY QUEEN

and

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, Executrix of the Estate of HOWARD S. DALE, Deceased, Individuals

vs.

DAIRY QUEEN, INC.

MEMORANDUM AND ORDER SUR PLAINTIFFS' MOTION TO STRIKE DEFENDANT'S DEMAND FOR JURY TRIAL

WOOD, J. June 1, 1961

On December 28, 1960, we granted the plaintiffs' motion for a preliminary injunction and filed findings of fact and conclusions of law in support of our order. The factual background of this case is sufficiently set forth in the aforesaid memorandum. Subsequently, the defendant filed its answer to the plaintiffs' complaint and demanded a jury trial. The defendant did not specify the issues on which it demanded a jury trial, and it is consequently up to the Court to determine whether any of the issues in this case as presented by the pleadings to date are of a "legal [fol. 42] nature."

Rule 38 of the Federal Rules of Civil Procedure provides in pertinent part as follows:

"JURY TRIAL OF RIGHT.

"(a) RIGHT PRESERVED. The right of trial by jury as declared by the Seventh Amendment to the Constitution * * * shall be preserved to the parties inviolate."

It is settled law that although the Federal Rules of Civil Procedure provide for "one form of action"—a civil action—, the traditional distinction between legal and equitable actions must be referred to in order to determine a party's right to a jury trial. Although we agree with the defendant that the form of relief sought by the plaintiffs it not necessarily determinative of the question of the defendant's right to a jury trial, nevertheless the form of relief sought in the complaint is an important factor to be considered in characterizing the issues in the case as either equitable or legal. (See Moore's FEDERAL PRACTICE, Vol. 5, p. 158 et seq.) For example, if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. However, if the complaint sought specific performance of the same contract, the issues raised would be equitable in nature and neither the plaintiff nor the defendant would be entitled to a jury trial.

In the case at bar the complaint alleges that the defen- [fol. 43] dant entered into a contract with the plaintiffs in 1949 whereby the plaintiffs licensed the defendant to use the plaintiffs' registered trademark "Dairy Queen" and permitted the defendant to sub-license others to use the trade name. In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. According to a provision of the contract, the defendant's right to use the plaintiffs' trademark ceased at the time of the defendant's breach. Accordingly, it is alleged that since 1954 the defendant has been infringing the plaintiffs' trademark and has been collecting money in violation of the plaintiffs' rights and will continue to do so unless enjoined by this Court. The complaint seeks, in effect, a declaration that the licensing contract is null and void; an accounting of

profits illegally obtained by the defendant since 1954 to date; and a permanent injunction restraining the defendant from any use of the plaintiffs' trademark "Dairy Queen", and from executing any more sub-license agreements authorizing third-persons to use that trademark. Incidental to this relief, the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract.

The defendant admits the existence and provisions of the contract, but alleges that prior to the alleged breach, the parties entered into an oral agreement which amounted to a novation (Restatement of the law of Contracts, § 424); that according to the terms of the novation, the defendant is not in breach of the original contract; and that con-[fol. 44] sequently the defendant is not infringing and has not infringed the plaintiffs' trademark. In addition, the defendant alleges that the plaintiffs, because of violations of the antitrust laws, have come into Court with unclean hands and, hence, are not entitled to equitable relief.

As we analyze the issues raised by the complaint and the answer, the nature of the plaintiffs' case is purely equitable.[1] Whether the plaintiffs' claim be viewed as a claim for relief for infringement of a trademark,[2] or a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark "Dairy Queen" in Pennsylvania,[3] or a claim to in-

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[1] See Moore's FEDERAL PRACTICE, Vol. 5, p. 207, where the author states: "The common law of trademarks is but a part of the broader law of unfair competition. * * * if he so elected, plaintiff could seek injunctive relief, with damages as incidental thereto, and all the issues are equitable in nature, i.e., for the court."

[2] See *Crane Co.* v. *Alonzo H. Crane, et al.*, (N.D.Ga. 1957), 157 F. Supp. 293, where the court held that a complaint alleging that defendants had infringed plaintiff's trademark and plaintiff asked for injunction, accounting, attorneys' fees, costs, and such other relief as the court might deem just, the complaint was one for equitable relief and the issue of damages was incidental, and defendants were not entitled to a jury trial.

[3] See *Greenhood* v. *Orr & Sembower, Inc.*, (D.C. Mass. 1958), 158 F. Supp. 906, where the court held that the relief requested by plaintiff was a declaration that a franchise granted to the de-

[fol. 45] junctive relief coupled with an incidental claim for damages,[4] all issues raised thereby are for the Court's determination.

The remaining question is whether the defendant's answer poses a legal issue on which the defendant is entitled to trial by jury. There is no doubt that a defendant is entitled to a jury trial of an issue legal in nature raised by the answer, even in a case in which the complaint raises only equitable issues. However, in the case at bar, we think that the defendant's answer raises only equitable issues. *Upjohn Co.* v. *Schwartz,* (S.D.N.Y. 1953), 117 F. Supp. 292; and *Folmer Graflex Corp.* v. *Graphic Photo Service, et al* (D.C. Mass. 1941), 41 F.Supp. 319. Therefore, we think neither party has the right to a jury trial of any of the issues raised by the pleadings in this case. However, we reserve judgment on the advisability of the submission to a jury of the question of the amount of damages, if any, due plaintiffs. At the final hearing on the merits, according to the development of the evidence, we may submit that question to a jury.

For the foregoing reasons, we enter the following Order:

[fol. 46] ORDER

And now, to wit, this 1st day of June, 1961, IT IS ORDERED that the plaintiffs' motion to strike the defendant's demand for a trial by jury is hereby GRANTED. This action is to be heard on the merits by the Court sitting without a jury on June 27, 1961, at 10 a.m.

BY THE COURT:

/s/ HAROLD K. WOOD
J.

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fendants for use of a machine was null and void and that such action was, in effect, one for cancellation of a contract, a proceeding which is traditionally equitable in nature and plaintiff was not entitled to a jury trial.

[4] See *Greenhood* v. *Orr & Sembower, Inc.*, footnote 3, and *Crame Co.* v. *Alonzo H. Crane,* footnote 2, supra.

[fol. 48]

IN THE UNITED STATES COURT OF APPEALS

FOR THE THIRD CIRCUIT

DAIRY QUEEN, INC., a corporation, Petitioner,

vs.

THE HON. HAROLD K. WOOD, Judge of the United States District Court of the Eastern District of Pennsylvania, Respondent.

MEMORANDUM IN SUPPORT OF PETITION FOR WRIT OF MANDAMUS

STATEMENT OF QUESTIONS INVOLVED

1. Where plaintiff brings an action to recover an amount due under a contract for payments allegedly in default and in the same action seeks injunctive relief because of the alleged default, may the District Court properly refuse to grant defendant's demand for a jury trial?

2. Where plaintiff joins an equitable cause of action with a legal cause of action, and where in addition both involve a common, controlling issue of fact on which the defendant would be entitled to a jury trial, may the District Court properly refuse to grant defendant's demand for a jury trial?

[fol. 49]

STATEMENT OF CASE

Form of Action

This is a petition for a writ of mandamus arising out of the Judgment of the District Court for the Eastern District of Pennsylvania (Wood, J.) denying defendant's request for a jury trial.

Statement of Facts

The pertinent facts are set forth in the Petition for Writ of Mandamus. The essential facts are as follows:

1—Plaintiff alleges that defendant is in default to plaintiff under a contract (Complaint, paragraph 14); and plaintiff seeks to recover a balance in excess of $60,000.00 allegedly due it under the contract.

2—Plaintiff seeks an injunction enjoining the defendant from using a trademark licensed to defendant under the contract as to which plaintiff alleges default for non-payment of the amount which it seeks to recover as due under the contract.

3—Defendant in its Answer timely filed requested a trial by jury (Defendant's Answer, paragraph 28).

[fol. 50] 4—Plaintiff moved to strike the defendant's demand for trial by jury.

5—The Trial Court in an Order dated June 1, 1961 granted plaintiff's Motion to strike defendant's demand for a trial by jury.

ARGUMENT

It is well settled that the right to trial by jury is a Constitutional right, and that this right is one which the Federal Courts are required to protect. *Beacon Theatres, Inc.* v. *Westover,* 359 U.S. 500 (79 S.Ct. 948, 956), 1959. In support of this position, the Federal Courts, including the United States Supreme Court, have consistently held that the right to a trial by jury cannot be impaired by joining with a claim properly cognizable at law a demand for equitable relief, and this is particularly true where, as in the present case, joinder has been made of coordinate equitable and legal causes of action which involve a common, controlling issue of fact as to which there would normally be a right to a trial by jury.

Beacon Theatres, Inc. v. *Westover,* Supra
Ex parte Simons, 247 U.S. 231 (1918)

Scott v. *Neely*, 140 U.S. 106 (1891)
Leimer v. *Woods*, (8 Cir.) 1952, 196 F.2d 828

The following quotations from the United States Supreme Court opinion in the *Beacon Theatres* case and from [fol. 51] the opinion of the Court of Appeals for the Eighth Circuit in *Leimer* v. *Woods* state the rule very clearly.

"Since the right to jury trial is a constitutional one, however, while no similar requirement protects trials by the court, that discretion is very narrowly limited and must, wherever possible, be exercised to preserve jury trial. As this Court said in *Scott* v. *Neely*, 140 U.S. 106, 109-110: 'In the Federal courts this [jury] right cannot be dispensed with, except by the assent of the parties entitled to it, nor can it be impaired by any blending with a claim, properly cognizable at law, of a demand for equitable relief in aid of the legal action or during its pendency.'" (*Beacon Theatres* v. *Westover*) p. 510

"In the long range, if the right of trial by jury is actually to be preserved thus inviolate to the parties, its proclamation in legal letter can only be kept from becoming an artificiality by the accompaniment of a sympathetic judicial attitude. And such a hospitable spirit on the part of a court to a preserving generally of that inviolateness would seem naturally to suggest that, where joinder has been made of co-ordinate equitable and legal causes of action and some of such causes of action, as here, involve a common, controlling issue of fact, on which there normally is a right to a jury trial as to the legal cause of action, the question ordinarily should be deferentially allowed to be determined by a jury, rather than for the court, without some special reason or impelling circumstance in the situation, to undertake to foreclose it as a matter of res judicata by designedly proceeding to make a previous disposition of the equity cause of action.

"Any other viewpoint, we think, would not constitute a proper honoring of Rule 38(a), supra, and

would leave the court's contrary action, unless based upon some special prompting consideration in the particular situation, subject to the interpretation of a judicial desire to thwart or curb the right of jury trial in the case." (*Leimer* v. *Woods*, pp. 833 and 834)

In the present case there is no controversy as to the [fol. 52] existence of a claim cognizable at law. Plaintiff's Complaint clearly seeks recovery for an amount allegedly due it under a contract. The existence of this contract claim was recognized by the lower court in the following language:

"In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. * * * the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract."

At the same time Judge Wood recognized that a Complaint seeking damages for breach of a contract would clearly involve legal issues and defendant would be entitled to a jury trial of those issues. The exact language used by the Court was as follows:

"For example, if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues."

It is clear that the factual question which must be determined before a final judgment can be entered is exactly the same in both the breach of contract legal cause of action and in the equitable cause which seeks injunctive relief. The only basis urged for the alleged right to injunctive relief is the alleged breach of the contract for failure to pay the very same amounts which plaintiff seeks to recover in the legal cause of action. If defendant is correct in its assertion that under the facts there has been no breach of contract, then plaintiff cannot prevail either in law or in [fol. 53] equity. What plaintiff seeks to do is to have the

Court determine this vital fact question without a jury which would effectively deny to defendant its Constitutional right to trial by jury, since the Court's determination would then be final in the legal cause of action through res adjudicata. Plaintiff's plan for avoidance of trial by jury has been approved in this case by the Order of Judge Wood. It is submitted that the Constitutional right of trial by jury will cease to exist if a defendant, as in the present case, can be effectively denied a trial by jury by the mere expedient of plaintiff joining an equitable cause of action with a legal cause of action. This is particularly disturbing where the equitable cause of action is founded on the same facts which determine the ultimate outcome of the legal cause of action.

The pattern present in the instant case is very similar to that in *Temperato* v. *Rainbolt*, 22 F.R.D. 57 (U.S.D.C., E.D. Illinois, 1958). The plaintiff was the holder of a franchise for the use of the name "Dairy Queen". He granted a sublicense to the defendant. The defendant refused to fulfill his obligations for the payments provided for under the license agreement and, in addition, continued the conduct of the Dairy Queen business. In its Complaint the plaintiff prayed for damages for breach of contract and for an injunction to restrain and enjoin unfair trade practices. The defendant demanded a jury trial. Plaintiff's motion to strike was denied. At page 59 the Court said:

> [fol. 54] "It is very clear that here the plaintiff seeks relief on both legal and equitable grounds. In the first count of the complaint the plaintiff alleges a contract and a breach thereof and prays relief for such breach. That this is a law matter is beyond dispute."

A photostat copy of the file copy of the Complaint which was filed in the foregoing case, showing the pertinent facts, is attached to this Memorandum.

The Authorities Relied Upon by Judge Wood Appear Inapposite

Judge Wood cites *Crane Co.* v. *Alonzo H. Crane, et al.*, 157 F. Supp. 293. This was an action for infringement of

a Federal trademark and sought to enjoin the infringement of the trademark and unfair competition in offering and selling heating products under the name of "Crane and "Crane Heating Co." The prayer was for an injunction, accounting, attorneys fees, expenses and costs, and for such other relief as the court may deem just. It is apparent that in the *Crane* case there was no contractual relationship between the parties and obviously no claim for any amount due and owing alleged to result from a breach of any contract. The issue of damages, as the court there said, was merely incidental to the equitable relief sought. That even the foregoing view is not universal is seen from *Russell* v. *Laurel Music Corp.*, 104 F. Supp. 815 (1952); *Bruckman* v. *Hollzer*, 152 F.2d 730; *Berlin* v. *Club 100, Inc.*, 12 F.R.D. 129; *Admiral Corporation* v. *Admiral Employment Bureau*, 151 F. Supp. 629.

[fol. 55] The other case relied upon by Judge Wood is *Greenhood* v. *Orr & Sembower, Inc.*, 158 F. Supp. 906 (U.S.D.C., Mass. 1958). Here the plaintiff sought to cancel an agreement licensing the defendant to use a patented drying machine because plaintiff alleged that he had been induced to enter into the agreement by fraudulent representations. Alternatively, plaintiff sought damages arising from the alleged misrepresentations in the event the court held the agreement valid. Aside from the distinction that in this case the plaintiff's claim did not arise under the terms of the agreement, it would further appear that the equitable relief sought, if granted, would completely dispose of the controversy by cancelling the contract. If otherwise, the decision would presuppose that there were no misrepresentations and therefore there could be no claim for damages. As was said at 908:

> "The primary relief requested here is a declaration that the franchise granted to defendants is null and void. The action is thus in effect one for cancellation or recision of a contract, a proceeding which is traditionally equitable in nature and in which plaintiff is not entitled to a jury trial, 5 Moore's Federal Practice, §38.23, page 183."

In effect, the plaintiff appeared to have had a choice of remedies and elected the equitable one. This is in sharp contrast to the present case in which the plaintiff seeks to recover a substantial sum allegedly due under the contract, and in the same action seeks to terminate the contract.

[fol. 56]

Conclusion

Plaintiff seeks to recover an amount allegedly due under a contract with defendant. In the same action, plaintiff seeks injunctive relief. Plaintiff also seeks to deny to defendant its Constitutional right to a trial by jury.

In granting plaintiff's Motion to strike defendant's demand for a jury trial, the lower court denied defendant its Constitutional right to trial by jury under the Seventh Amendment of the Constitution and thereby failed to comply with Rule 38 of the Federal Rules of Civil Procedure.

It is submitted that the denial of defendant's Constitutional rights should be corrected by a Writ of Mandamus issuing from this Court directing that the District Court Order of June 1, 1961, be vacated.

Respectfully submitted,

Michael H. Egnal, Attorney for Defendant-Petitioner.

[fol. 57]

ATTACHMENT TO MEMORANDUM

[Stamp—Filed Aug. 16, 1957—Clerk, U. S. District Court, Eastern District of Illinois]

IN THE DISTRICT COURT OF THE UNITED STATES

FOR THE EASTERN DISTRICT OF ILLINOIS

Civil No. 3887

Served 8-21-57

SAMUEL J. TEMPERATO, Plaintiff,

vs.

ROY C. RAINBOLT, Defendant.

COMPLAINT

Plaintiff says:

1. Plaintiff, Samuel J. Temperato, is a citizen and resident of the State of Missouri.

2. Defendant, Roy C. Rainbolt, is a citizen and resident of the State of Illinois and of the County of St. Clair within the Eastern Judicial District of Illinois.

3. The amount in controversy exceeds the sum of $3,000.00 exclusive of interest and cost.

4. On or about May 25, 1950, defendant, Roy C. Rainbolt, entered into a written contract and franchise agreement with W. J. Lanaghan under the terms of which said W. J. Lanaghan granted to defendant, Roy C. Rainbolt, a license and franchise, then owned by said W. J. Lanaghan, for the use of, among other things, the trade name "Dairy Queen" in the following described territory, to-wit: Dupo, Illinois, and the cities of Maplewood, Walnut Grove and Cahokia, Illinois, for a period of 10 years and in consideration of the granting of said franchise and other valuable considerations, defendant, Roy C. Rainbolt, agreed, among other things, to purchase or lease a lot and erect a suitable building in accordance with blue prints to

be approved by said W. J. Lanaghan and in such building prepare, compound, manufacture and sell an ice crean product, or frozen dairy product, by the use of an ice [fol. 58] cream mix or ice milk mix and pay to said W. J. Lanaghan a royalty of $0.39 for each gallon of such mix used in or about said premises. Defendant, Roy C. Rainbolt, further agreed that he would not use any other type or name of ice cream in the above mentioned territory in Illinois, during the life of said written contract, and that he would not directly or indirectly engage in any business within the above named territory in Illinois during the life of said written agreement in competition with the business of selling Dairy Queen products and that he would not sell any product or merchandise within the above mentioned territory during the period of said agreement without the written permission of said W. J. Lanaghan to the end that the good will of said W. J. Lanaghan and the value of the trade name belonging to him would be fully protected from competition by defendant, Roy C. Rainbolt. All of said promises and agreements were reduced to writing and a true and correct copy of the written contract and franchise agreement made and entered into by and between said W. J. Lanaghan and defendant, Roy C. Rainbolt, on May 25, 1950, is attached hereto, marked "Exhibit A" and by this reference incorporated herein and made a part hereof.

5. Thereafter, and on, to-wit: July 12, 1955, said W. J. Lanaghan, for a valuable consideration, assigned, set over and transferred to plaintiff, Samuel J. Temperato, all of his right, title and interest in and to said written contract and franchise agreement dated May 25, 1950, and plaintiff, Samuel J. Temperato, is now the sole owner of the trade name "Dairy Queen" within the aforesaid territory and of all of the rights, title and interest of said W. J. Lanaghan in and to said written contract and franchise agreement between W. J. Lanaghan and Roy C. Rainbolt. A copy of said assignment is attached hereto, marked "Exhibit B" and by this reference incorporated herein and made a part hereof.

6. Plaintiff, Samuel J. Temperato, and his assignor, W. J. Lanaghan, have duly performed all conditions and

promises on their part to be performed under said written contract and franchise agreement dated May 25, 1950.

[fol. 59] 7. On or about March 1, 1957, defendant, Roy C. Rainbolt, wrongfully and in breach and violation of the terms and provisions of said written contract and franchise agreement engaged in a business within the above mentioned territory in Illinois at, to-wit: 3700 Falling Springs, Maplewood, Illinois; in competition with the business of selling Daily Queen products and has continued to conduct said business to the present time. Defendant, Roy C. Rainbolt, commencing on or about March 1, 1957, and continuing to the present time, has further breached said written contract and franchise agreement by refusing to pay to plaintiff, Samuel J. Temperato, the royalty provided for in said written contract and franchise agreement.

8. By reason of the wrongful acts of defendant as hereinbefore set forth and of the breach by defendant of said written contract and franchise agreement, plaintiff, Samuel J. Temperato, has lost and will continue to lose and has been damaged by the loss of the aforesaid royalty payments and the profits, gains and avails which he otherwise would have received under the terms and provisions of said contract in the amount of to-wit: $8,427.24.

Wherefore plaintiff prays judgment against defendant in the sum of $10,000.00 and costs of suit.

Count II

Plaintiff says:

1. He repeats and realleges the allegations contained in paragraphs 1 to 3, both inclusive of Count I of this complaint.

2. Prior to and since on or about May 25, 1950, plaintiff and his predecessor and assignor have used the name "Dairy Queen" as applied to frozen ice milk products in the State of Illinois and more particularly in St. Clair County, Illinois, and in the Villages and Cities of Dupo, Maplewood, Walnut Grove and Cahokia, Illinois, and since that date have continuously engaged in the business of licensing the use of the name "Dairy Queen" in said ter-

ritory and supervising, inspecting and supplying various other services to licensed retail outlets using that name.

[fol. 60] 3. On or about May 25, 1950, one W. J. Lanaghan of Belleville, Illinois, who was then the owner of the trade name "Dairy Queen," within a territory including St. Clair County, Illinois, entered into a written contract and franchise agreement with defendant, Roy C. Rainbolt, whereby and whereunder said defendant acquired from said W. J. Lanaghan the exclusive right for a period of ten (10) years to use the trade name "Dairy Queen" in the territory described as, to-wit: Dupo, Illinois, and the cities of Maplewood, Walnut Grove and Cahokia, Illinois, which said agreement is attached hereto, marked "Exhibit A" and by this reference incorporated herein and made a part hereof.

4. On or about July 12, 1955, plaintiff, Samuel J. Temperato, acquired by assignment for valuable consideration from said W. J. Lanaghan and Blanche B. Lanaghan, his wife, their rights and interest in and to the exclusive use of the trade name "Dairy Queen" in St. Clair County, Illinois, and all of their right, title and interest in and to said written contract and franchise agreement dated May 25, 1950, with defendant, Roy C. Rainbolt.

5. Prior to and after July 12, 1955, plaintiff has continuously used the trade name "Dairy Queen" in connection with the sale to the public of frozen milk products and plaintiff has acquired and entered into numerous franchise agreements with certain "store franchise operators" by and under the terms of which agreements the store operators were licensed to use the trade name "Dairy Queen" in connection with the sale at retail of ice milk to the public including the franchise agreement with defendant, Roy C. Rainbolt.

6. Defendant, Roy C. Rainbolt, commencing on May 25, 1950, and at all times thereafter up to and including March 1, 1957, sold to the public ice milk products under the name "Dairy Queen" all under and pursuant to the terms of said written contract and franchise agreement dated May 25, 1950, and a copy of which is attached hereto as "Exhibit A."

[fol. 61] 7. Plaintiff and his predecessor and assignor have prepared plans and specifications of a distinctive prototype building on which the name "Dairy Queen" is prominently displayed to be used by all store operators and blue print copies of said plans and specifications have been delivered by plaintiff to each store operator in his territory, including defendant, Roy C. Rainbolt, to be used by them in the construction of the store buildings in which the ice milk product known as "Dairy Queen" is sold; such plans and specifications were delivered to defendant and used by him in the construction of his store building; plaintiff and his predecessor and assignor have spent large sums of money advertising and promoting the name "Dairy Queen" in St. Clair County, the State of Illinois and throughout the United States and they have spent large sums and have devoted substantial amounts of their time to the inspection of all "Dairy Queen" stores, including that of defendant, in order to insure uniformity and quality of the product sold and to insure that the stores are kept clean and attractive; they have spent substantial amounts of time and money in the development, improvement and promotion of the product used in the sale of ice milk at retail and known publicly as "Dairy Queen," and in the development of the mix used by the store operators, including defendant, and in the development of uniform designs and marking for containers in which the product is sold to the public, and in the training and education of store franchise operators and their employees in the proper operation of the local stores.

8. By reason of the efforts of plaintiff and his predecessor and assignor and others engaged in the Dairy Queen business, and the expenditures of large sums of money, the name "Dairy Queen" has become associated in the minds of the public with a uniform product of consistent high quality sold only at clean and attractive stores of uniform design operated by persons following identical sales and operating methods, and the consuming public throughout the State of Illinois and the United States now regards all articles sold under the name "Dairy Queen" as the products of one organization.

[fol. 62] 9. Due to the skill, expert workmanship and high quality of the ice milk products manufactured and sold pursuant to "Dairy Queen" franchises and license agreements under the name "Dairy Queen" and by reason of the integrity, progressiveness and ability of plaintiff and his predecessor and assignor, and extensive and continuous advertising, the trade name "Dairy Queen" has acquired a secondary signification and meaning throughout the country and with the public generally as an understood reference to and indicating an ice milk product of exceptionally high quality, purity and tastefulness.

10. The trade name "Dairy Queen" has become and is a substantial part of plaintiff's valuable good will, assets and reputation.

11. By reason of his continuous operation from May 25, 1950, to and including March 1, 1957, under the terms of the aforesaid written contract and franchise agreement dated May 25, 1950, defendant was, at all times, and is, well acquainted and familiar with the mode of operation, unique characteristics, advertisements and sources of supply of plaintiff and his predecessor and assignor.

12. On or about March 1, 1957, defendant, disregarding the rights of plaintiff, announced that thereafter he would continue in the business of manufacturing and selling an ice milk product in the same store at the same location that he had theretofore been operating as a Dairy Queen store but that he would refuse to pay plaintiff any royalties as provided for in said written contract and franchise agreement dated May 25, 1950.

13. Beginning on or about March 1, 1957, and continuously thereafter, defendant, Roy C. Rainbolt, has manufactured and sold to the public in Maplewood, Illinois, an ice milk product identical in appearance and similar in taste to plaintiff's product and is thereby engaged in actual and unlawful competition with plaintiff and his duly licensed and franchised "Dairy Queen" store operators.

14. Defendant has adopted the trade name "Dairy Cream" for the advertising and sale of his products in the same store and at the same location which he operated

as a "Dairy Queen" store for seven (7) years under the [fol. 63] aforesaid written contract and franchise agreement, and with the intent to confuse, mislead and defraud the customers and the public by misrepresentation, infringement and palming off of his products for those of plaintiff, has wrongfully and unlawfully adopted said name "Dairy Cream" which bears confusing or likely to be confusing similarity to plaintiff's trade name "Dairy Queen" and has thereby engaged in unfair trade practices and unfair competition against plaintiff to plaintiff's irreparable damage.

15. Defendant, by the aforesaid unlawful and wrongful infringement and unlawful, wrongful and unfair competition, conduct and practices is endeavoring to and has unlawfully appropriated to himself the good will, assets and reputation heretofore established, promulgated and earned by plaintiff and his predecessor and assignor in said trade name "Dairy Queen."

16. By reason of the premises and the said unlawful, unfair and wrongful acts, conduct and practices of defendant, plaintiff, Samuel J. Temperato, has sustained, and will continue to sustain, great and irreparable loss, injury and damage amounting to in excess of $25,000.00.

17. On March 5, 1957, and thereafter, notice was given defendant by plaintiff objecting to his unfair and unlawful use of the aforesaid name "Dairy Cream" in marketing his product in direct competition with plaintiff's products and notifying him to cease and desist from the use of the name "Dairy Cream" in connection with said business, but defendant has wholly failed to cease said infringement and unlawful and unfair trade practices and competition.

Wherefore plaintiff prays that the court will, by its orders and judgments duly entered herein:

A. Grant and issue a preliminary and permanent injunction restraining and enjoining defendant, his agents, servants, and employees during the pendency of this action and permanently from infringing plaintiff's trade name [fol. 64] "Dairy Queen" by the use of the name "Dairy Cream" or any other name confusingly similar or likely to

be confusingly similar to plaintiff's trade name "Dairy Queen" and from engaging further in said unlawful, wrongful and unfair trade practices and competition;

B. Enjoin and restrain defendant, his agents, servants and employees, until May 25, 1960, from directly or indirectly, within the franchise territory described herein, from engaging in the sale to the public of any hard, soft or semi-frozen ice milk, ice cream, custard product, or anything similar thereto;

C. In the alternative order and direct defendant to pay into the registry of the court during the pendency of this action, the royalties required under the terms of the written contract and franchise agreement dated May 25, 1950;

D. Require defendant to account for all gains, profits and advantages made by defendant by reason of the acts complained of and order, direct and require defendant to forthwith pay to plaintiff such sums and accounts as shall be found to be due and owing from defendant upon such accounting;

E. Enter judgment in favor of plaintiff and against defendant in the sum of $25,000.00 and costs of suit; and

F. Grant plaintiff such other, further and different relief as the facts and law require.

Harold J. Abrams, 418 Olive Street, St. Louis 2, Missouri; John M. Ferguson, 234 Collinsville Avenue, East St. Louis, Illinois; Harold G. Baker, Jr., 234 Collinsville Avenue, East St. Louis, Illinois, Attorneys for plaintiff, Samuel J. Temperato.

Baker, Kagy & Wagner, 234 Collinsville Avenue, East St. Louis, Illinois; Blumenfeld & Abrams, 418 Olive Street, St. Louis 2, Missouri, Of Counsel.

[fol. 65]
United States of America)
Eastern District of Missouri) ss.:
County of St. Louis)

Samuel J. Temperato, of lawful age, being first duly sworn on oath deposes and says that he is the plaintiff in the above and foregoing action, that he has read and examined the foregoing complaint and that the matters and things set forth therein are true.

SAMUEL J. TEMPERATO

Subscribed and sworn to before me this 15th day of August, 1957.

JEAN AUBUCHON, Notary Public

My commission expires 5-4-58

[fol. 66]

UNITED STATES COURT OF APPEALS

FOR THE THIRD CIRCUIT

No. 13643

DAIRY QUEEN, INC., Petitioner,

vs.

THE HON. HAROLD K. WOOD, Judge of the United States District Court of the Eastern District of Pennsylvania.

ORDER DENYING PETITION FOR WRIT OF MANDAMUS—
June 22, 1961

Present: Goodrich, McLaughlin and Kalodner, Circuit Judges.

Upon consideration of the petition by Dairy Queen, Inc., for a writ of mandamus, and of the memorandum in support of the petition,

It is Ordered that the petition for a writ of mandamus be and it hereby is denied.

By the Court,

Goodrich, Circuit Judge.

Dated: June 22, 1961.

[fol. 67] Clerk's Certificate to foregoing transcript omitted in printing.

[fol. 68]

SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—Filed October 16, 1961

The petition herein for a writ of certiorari to the United States Court of Appeals for the Third Circuit is granted, and the case is transferred to the summary calendar.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

E COPY

IN THE

Supreme Court of the United States

Term, 1961

No. 244

DAIRY QUEEN, INC.,
Petitioner

vs.

THE HON. HAROLD K. WOOD, *Judge of the United States District Court of the Eastern District of Pennsylvania*, H. A. MCCULLOUGH and H. F. MCCULLOUGH, *a partnership, doing business as McCullough's Dairy Queen*, and BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, *Executrix of the Estate of Howard E. Dale, Deceased, Individuals*,
Respondents

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

DONALD M. BOWMAN, ESQ.
1315 Walnut Street
Philadelphia 7, Penna.
Attorney for Petitioner

THE LEGAL INTELLIGENCER, 10 S. 37TH ST., PHILA. 4

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IN THE

Supreme Court of the United States

TERM, 1961

No. ———

DAIRY QUEEN, INC.,
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vs.

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Respondents

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Petitioner prays that a Writ of Certiorari issue to review the Order of the United States Court of Appeals for the Third Circuit entered in the above-entitled action on June 22, 1961, denying Petitioner's Application for a Writ of Mandamus (Record; Appendix "B", infra. p. 21).

Opinions Below

The order of the Court of Appeals is not yet officially reported. The Opinion of the District Court of the Eastern District of Pennsylvania is not yet officially reported. They are printed in Appendix "B" hereto, infra. p. 18.

Jurisdiction

The order of the Court of Appeals was entered on June 22, 1961. The jurisdiction of this Court is invoked under Title 28, U.S.C., Section 1254 (1).

Questions Presented

Where, under a written contract, a plaintiff seeks to recover a balance of a debt and also seeks an injunction by reason of the alleged failure to pay the debt, may a Federal Court deprive defendant of a timely-demanded jury trial as to the legal action for the debt, where plaintiff's right to the debt and to the injunction involves a determination of the identical questions of fact.

Statutes Involved

The pertinent statutory provisions are printed in Appendix "A", infra. p. 16.

Statement

This action was commenced in the United States District Court for the Eastern District of Pennsylvania on November 21, 1960, by McCullough and others.[1]

A. Jurisdiction

The jurisdiction of the District Court was founded on diversity of citizenship of the parties and on an amount in controversy exceeding the sum of $10,000.

---

[1] The plaintiffs in this case are H. A. McCullough and H. F. McCullough, a partnership doing business as "McCullough's Dairy Queen." They are the real parties in interest and are herein called "McCullough." The second-named plaintiffs are recited as Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Executrix of the Estate of Howard S. Dale, Deceased.

B. The Complaint

The Complaint of McCullough made, inter alia, the following allegations:

1. McCullough and others originated the name "Dairy Queen" on January 2, 1947. McCullough registered the trademark "Dairy Queen" in Pennsylvania as a frozen dairy product, which registration is current.

2. McCullough licensed persons throughout the United States to use its trademark and spent large sums of money and time promoting the name "Dairy Queen", inspecting the franchise stores in order to insure uniformity and quality of the product sold as "Dairy Queen", and establishing the name "Dairy Queen" in the minds of the public with a high quality product sold only at clean and attractive stores of uniform design.

3. By written agreement dated October 18, 1949, herein called "Territory Agreement", McCullough granted to the other plaintiffs a franchise for the exclusive right to use the trademark in certain portions of Pennsylvania, and as a result of intervening documents Petitioner, on December 23, 1949, obtained the rights and obligations of the said Territory Agreement. (A copy of said Territory Agreement is attached to the Complaint.)

4. Paragraph 4 of the Territory Agreement recited the total consideration payable for the franchise to use the trade name "Dairy Queen" as follows:

> "4. Pay direct to McCulloughs Dairy Queen (name adopted by First Party), successors or assigns, at his office the sum of One Hundred Fifty Thousand and No/100 Dollars ($150,000.00) in cash as follows:
>
> "(a) $1,000.00 cash, at once.
>
> "(b) $149,000.00 balance, as soon as possible but payable in not less than the amounts as follows:

"1—50% forthwith of all amounts of sales franchises or Territorial rights made by Second Party under contracts sold by Second Party, and in addition, 50% of the sale value of all said franchise or territorial rights used by Second Party.

"2—The aggregate total amount paid to First Party by Second Party under Subsection 1 above, and this Subsection 2 shall be not less than the amount of $18,625.00 in the year ending October 15, 1950, and in each year ending on October 15th thereafter, until the said total amount of $149,000.00 has been fully paid to First Party as provided under this section (b) of paragraph 4."

5. Petitioner "for a number of years" has ceased paying the aforesaid 50% of franchises sold as well as the annual minimum payments.

6. Defendant (Petitioner) is in *default* to McCullough under the said contract in excess of $60,000.00.[2]

7. On August 26, 1960, McCullough notified Petitioner by letter (copy of which is attached to the Complaint in the Record) that their failure to pay the amounts required

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[2] The averment was further clarified by McCullough in his deposition taken on July 5, 1961, and filed with the District Court on July 17, 1961, wherein the following appears (p. 56):

"Q [Mr. Egnal] So that the balance, then deducting the $3,970.20 would be $57,384.17.

A [Mr. McCullough] That is correct.

Q When you claim, in your complaint, that there is $60,000-odd dollars due you, you are referring to the balance that is due you as shown by the mathematics that we have just gone over?

A That is correct.

Q And you are seeking to recover in this suit the balance of $57,384.17?

A Whatever is due us, yes.

Q Whatever is due you is the balance under the contract?

A That is correct."

in their contract with McCullough constitutes a "material breach" of that contract and that unless this material breach is completely satisfied for the "amount due and owing", the franchise for Dairy Queen in Pennsylvania is hereby cancelled.

8. There were three separate prayers for relief:

(a) An injunction to restrain Petitioner from using in any wise or manner the name Dairy Queen.

(b) Ordering an accounting to determine the exact amount of money owing by defendant to McCullough's Dairy Queen" and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount.

(c) An injunction to restrain Petitioner from collecting sums payable to it in the conduct of its Dairy Queen franchise and requiring the said sums to be paid into the registry of the court.

C. PETITIONER'S ANSWER WITH DEMAND FOR JURY TRIAL

1. On March 1, 1961, Petitioner filed its Answer.

2. Petitioner demanded, by inclusion in its Answer and endorsement thereon, a jury trial.

3. Petitioner's Answer alleged the following defenses:

(a) On or about January of 1955, the parties had entered into an oral agreement modifying the manner in which the balance of the total consideration of $150,000.00 was to be paid, in that, effective October 15, 1954, the obligation of Petitioner to make the aggregate annual payment of $18,625.00 was no longer required but that thereafter Petitioner would pay McCullough fifty per cent of the proceeds received from the sale of sublicenses made under the said agreement. It was further alleged that thereafter over a period of five years Petitioner made and McCullough

received the payments required under the said oral arrangement and modification agreement.

(b) McCullough was barred from the relief prayed for by virtue of:

(1) Misuse of the Dairy Queen trademark because McCullough had conspired with others throughout the United States to extend the payment of royalties for the use of a patented freezer which had been licensed under the said agreement of October 18, 1949, beyond the expiration date of the said patent.

(2) Misuse of patent by compelling Petitioner to use no other freezer but the patented freezer and to purchase it solely through McCullough, and by conspiring with the designated manufacturers of the freezer so that sales would be made only to those who acquired a franchise from McCullough for use of the Dairy Queen trade name licensed by McCullough under the Dairy Queen trademark.

(c) Laches.

(d) McCullough was estopped from any equitable relief because it had knowledge of the alleged breach on October 10, 1954, and permitted Petitioner to spend upward of $300,000.00 in further development of the franchise territory thereafter.

D. McCULLOUGH'S MOTION TO STRIKE JURY DEMAND

1. On March 9, 1961, McCullough caused to be filed a Motion to Strike the Petitioner's Demand for a Trial by Jury and in support thereof relied upon the following reasons.

(a) "Under Rule 38 of the Federal Rules of Civil Procedure, defendants' demand for a jury trial is untimely."

(b) "In any event, the issues herein are not triable of right by a jury. Hence, under Rule 38, defendant is not entitled to a jury trial with respect thereto."

E. THE HONORABLE JUDGE WOOD'S OPINION & ORDER

1. On June 1, 1961, Judge Wood granted McCullough's Motion to Strike.

A. The ground stated by the Honorable Harold K. Wood, respondent, was in essence that:

". . . the nature of the plaintiffs' case is purely equitable" either as:

(1) ". . . a claim for relief for infringement of a trademark" . . .

(2) ". . . a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark 'Dairy Queen' in Pennsylvania . . ."

(3) ". . . a claim to injunctive relief coupled with an incidental claim for damages, ..." (Appendix "B", infra, p. 20).

B. It was further stated that:

". . . incidental to this relief, the Complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract." (Appendix "B", infra, p. 19) and:

". . . if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. . . ." (Appendix "B", infra, p. 19).

F. Petition for Writ of Mandamus

1. On the 12th day of June, 1961, Petitioner filed a Petition for Writ of Mandamus directed against the Honorable Harold K. Wood, Judge of the United States District Court of the Eastern District of Penna. In this Petition, Petitioner set forth the above-mentioned facts and contended, inter alia, that the respondent's Order Striking the Petitioner's Demand for a Jury Trial as to the Complaint and Answer, and his order designating a trial of the cause, without jury unlawfully deprived Petitioner of its right to jury trial under the 7th Amendment to the Constitution of the United States, in that:

(a) McCullough's claim was an action at law to recover a balance due under a contract between the parties.

(b) Petitioner is entitled to a trial by jury on the question as to whether or not there had been a modification of the annual minimum payment provision of the Territory Agreement and whether or not McCullough was chargeable with violation of the anti-trust laws of the United States.

(c) If the case is tried without a jury, petitioner would be put to insurmountable difficulties by reason of the principle of res judicata and the law of the case. A determination by the trial Judge will bar a subsequent jury determination of the issues which are common to both the common law and equitable claims asserted in the Complaint.

(d) In a trial by jury, a jury could determine whether the Territory Agreement was modified and if a breach thereof existed and this determination would either settle the entire cause of action or become the basis for a decision by the trial judge of the equitable cause of action.

2. The said Petition prayed that the Circuit Court command the Honorable Harold K. Wood to:

(a) Vacate his Order Striking Petitioner's demand for a jury trial.

(b) Specify that the issue to be tried by the jury shall be the question of whether or not there is due McCullough any portion of the sum of $60,000 claimed by him under the territory agreement, or whether or not there has been any default by Petitioner of the Agreement between the parties as it may be found to exist.

4. On June 22, 1961, the Circuit Court of Appeals for the Third Circuit (Goodrich J.) without opinion denied Petitioner's Petition for a Writ of Mandamus.

G. Order for Trial Without Jury

On June 28, 1961, Judge Wood ordered that the instant action be tried on August 1, 1961, without a jury.

Reasons for Granting the Writ

1. In the instant case, McCullough has joined, in one action a claim for $60,000.00 allegedly due him under the contract sued upon, with a claim for certain equitable relief based on this non payment as an alleged breach of contract by Petitioner. The existence of this money claim under the contract was recognized by the District Court in the following language:

> "In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. . . . the complaint also demands the $60,000. now allegedly due and owing under the aforesaid contract." (Appendix "B", infra. p. 19).

At the same time, Judge Wood recognized that a Complaint seeking damages for a breach of contract would clearly involve legal issues and the defendant would be entitled to a jury trial of those issues. The exact language used by the District Court was as follows:

> "For example, if a complaint sought damages for breach of contract, the issues in the case would clearly

be legal and the plaintiff or defendant would be entitled to a jury trial of those issues." (Appendix "B", infra. p. 19).

However, in denying Petitioner's demand for a jury trial, Judge Wood completely ignored McCullough's substantial claim under the contract, and viewed the entire complaint as an action for equitable relief.[3]

It seems settled that the right to trial by jury is a Constitutional right, and that it is one which the Federal Courts are required to protect. *Beacon Theatres, Inc. v. Westover*, 359 U. S. 500 (79 S. Ct. 948) 1959. In support of this position, your Honorable Court has consistently held that the right to a trial by jury cannot be impaired by joining a demand for equitable relief with a claim properly cognizable at law, and this is particularly true where, as in the case *sub judice*, joinder has been made of coordinate equitable and legal causes of action involving a common, controlling issue of fact as to which there would normally be a right to a trial by jury.[4]

The following quotation from your Honorable Court's opinion in the *Beacon Theatres case* (supra) appears pertinent:

> "Since the right to jury trial is a constitutional one, however, while no similar requirement protects trials by the court, that discretion is very narrowly limited and must, wherever possible, be exercised to preserve jury trial. As this Court said in *Scott v. Neely*, 140 U. S. 106, 109-110; 11 S. Ct. 712, 714 35 L. Ed. 358: 'In the Federal courts this [jury] right cannot be dispensed with, except by the assent of the parties entitled to it; nor can it be impaired by any

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[3] It should be noted that in his depositions taken subsequent to the decision of the District Court, McCullough clearly stated that he was seeking, in this suit, recovery of the balance due him "*under the contract*" in question. (See ft. 2, supra.)

[4] *Beacon Theatres, Inc. v. Westover*, supra; *Ex parte Simons*, 247 U. S. 231 (1918); *Scott v. Neely*, 140 U. S. 106 (1891).

blending with a claim, properly cognizable at law, of a demand for equitable relief in aid of the legal action or during its pendency.'" (p. 510)

It would appear free from question that McCullough's claim for $60,000.00 allegedly due him under the contract, standing alone, would entitle either party to a trial by jury, for it is an action of debt.[5] It is respectfully submitted that the joining of this action of debt with a claim for equitable relief based on failure to pay this alleged debt does not deprive the defendant of his right to a trial by jury.[6] It is also apparent that the joinder of these two actions does not make the basic claim for $60,000.00 incidental to the equitable relief sought. The claim for $60,000.00 is not one for damages incidental to the alleged breach but is a claim for payment of moneys due under the contract, the alleged failure to pay it being the breach itself.

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[5] An action of debt is a common law action falling within the jury trial guarantee of the Seventh Amendment. *Leimer v. Woods*, 196 F. 2d 828 (1952).

[6] The pattern presented in the instant case is very similar to that in *Temperato v. Rainbolt*, 22 F. R. D. 57 (U. S. D. C., E. D. Ill. 1958). The plaintiff was the holder of a franchise for the use of the name "Dairy Queen". He granted a sublicense to the defendant. The defendant refused to fulfill his obligations for the payments provided for under the license agreement and, in addition, continued the conduct of the Dairy Queen business. In its Complaint, the plaintiff prayed for damages for breach of contract and for an injunction to restrain and enjoin unfair trade practices. The defendant demanded a jury trial. Plaintiff's motion to strike was denied. At page 58 the Court said:

> "It is very clear that here the plaintiff seeks relief on both legal and equitable grounds. In the first count of the complaint the plaintiff alleges a contract and a breach thereof and prays relief for such breach. That this is a law matter is beyond dispute."

A copy of the file copy of the Complaint in the foregoing case is attached to Petitioner's "Memorandum in Support of Petition for Writ of Mandamus" (Record).

The factual question which must be determined before a final judgment can be entered is exactly the same in both the breach of contract cause of action and in the equitable cause which seeks injunctive relief. The only basis urged for the alleged right to injunctive relief is the alleged breach of the contract for failure to pay the very same amounts which plaintiff seeks to recover in the legal cause of action. If defendant is correct in its assertion that under the facts there has been no breach of contract, then plaintiff cannot prevail either in law or in equity. What plaintiff seeks to do is to have the Court determine this vital fact question without a jury which would effectively deny to defendant its Constitutional right to a trial by jury, since the Court's determination would then be final in the legal cause of action through res judicata.

2. The decision of the Court of Appeals for the Third Circuit, in denying Petitioner's Petition for Mandamus is in direct conflict with the decision of the Eighth Circuit in its decision in *Leimer v. Woods*, 196 F. 2d 828 (1952); of the Ninth Circuit in *Bruckman v. Hollzer*, 152 F. 2d 730 (1946),[7] and the Second Circuit in *Ring v. Spina*, 166 F. 2d 546 (1948).

In *Leimer v. Woods*, supra, the Circuit Court held that, in an action involving joined or consolidated equitable and legal causes, involving a common substantial question of fact, a Federal Court could not, under the Rules of Civil Procedure and the Seventh Amendment deprive either party of a properly demanded jury trial upon that question. As that court stated (pp. 833-834):

> "In the long range, if the right of trial by jury is actually to be preserved thus inviolate to the parties, its proclamation in legal letter can only be kept from

[7] The Ninth Circuit Court of Appeals seemed to back away from this case in *Beacon Theatres, Inc. v. Westover*, 252 F. 2d 864 (1958) but your Honorable Court reversed the Ninth Circuit when it did so in *Beacon Theatres, Inc. v. Westover*, supra.

becoming an artificiality by the accompaniment of a sympathetic judicial attitude. And such a hospitable spirit on the part of a court to a preserving generally of that inviolateness would seem naturally to suggest that, where joinder has been made of co-ordinate equitable and legal causes of action and some of such causes of action, as here, involve a common, controlling issue of fact, on which there normally is a right to a jury trial as to the legal cause of action, the question ordinarily should be deferentially allowed to be determined by a jury, rather than for the court, without some special reason or impelling circumstance in the situation, to undertake to foreclose it as a matter of res judicata by designedly proceeding to make a previous disposition of the equity cause of action.

"Any other viewpoint, we think, would not constitute a proper honoring of Rule 38(a), supra, and would leave the court's contrary action, unless based upon some special prompting consideration in the particular situation, subject to the interpretation of a judicial desire to thwart or curb the right of jury trial in the case."

In *Ring v. Spina* (CCA 2) 166 F. 2d 546 (1948), a case dealing with an anti-trust matter, it was argued that the joinder of legal and equitable claims in the same action resulted in a waiver of the right to a jury trial. The Court rejected that proposition and held that a litigant who seeks damages and an injunction does not waive his right to a trial by jury.

In *Bruckman v. Hollzer*, 152 F. 2d 730 (1946), the Ninth Circuit held that, where a complaint in separate paragraphs alleges causes of action for damages for copyright infringement and also for equitable relief by way of accounting and injunction, each of the latter of which also involve the issue of infringement, the parties are entitled to a trial by jury with regard to the common law issues prior to deciding the equitable aspects of the case.

Therefore, the Third Circuit, allowing Judge Wood's Order to stand denying Petitioner a right to a trial by jury with regard to the question of contract breach and damages appears to be in direct conflict with the present law as set forth both by your Honorable Court and the various other Circuit Courts as set forth above.

3. The Circuit Court of Appeals' Order denying Petitioner a Writ of Mandamus will require Petitioner to defend itself, in an action of debt, without the right to a trial by jury. If petitioner is denied this right to a jury trial, plaintiffs will have the Court's approval to circumvent the clear meaning of the Seventh Amendment to the United States Constitution, the Act of June 19, 1934, 48 Stat. 1064, 28 U.S.C. Sections 723, 723c, and Rule 38(a) of the Federal Rules of Civil Procedure, all of which guarantee the right to a trial by jury in suits at common law.

It is submitted that the Constitutional right of trial by jury will cease to exist if the plaintiff can deprive a defendant of that basic right by the mere expedient of joining an equitable cause of action with a legal cause of action. This is particularly true where the equitable cause of action is founded on the same facts which determine the ultimate outcome of the legal cause of action. Under the theory apparently upheld by the Courts below, a party can deprive a defendant of a jury trial in a debt action, if the plaintiff claims that he wants payment of the debt plus injunctive relief because the failure to pay the debt constituted a breach and forfeiture of the contract.

It is important that the decision of the courts below in the instant case be reviewed and reversed so that the basic constitutional and statutory rights of party litigants shall not be destroyed. Moreover parties instituting and defending similar suits would know whether or not they are entitled to a trial by jury in such debt actions, and the conflict would be resolved between the Circuit Court of Appeals for the Third Circuit and your Honorable Court as well as the various other Circuit Courts.

CONCLUSION

For the foregoing reasons, it is urged this petition for a Writ of Certiorari should be granted.

Respectfully submitted,

DONALD M. BOWMAN, ESQ.
Attorney for Petitioner

APPENDIX A

Statutes

28 U. S. C. 1254(1).

Cases in the Courts of Appeal may be reviewed by the Supreme Court by the following methods:

(1) By Writ of Certiorari granted upon Petition of any party to any civil or criminal case before or after rendition of judgment or decree.

Constitution of the United States—Seventh Amendment.

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reëxamined in any Court of the United States, then according to the rules of the Common law.

Act of June 19, 1934, 48 Stat. 1064, 28 U. S. C. Sections 723, 723c.

"Be it enacted . . . that the Supreme Court of the United States shall have the power to prescribe, by general rules for the District Courts of the United States, and for the Courts for the District of Columbia, the forms of process, writs, pleadings, and motions, and the practice and procedures in civil actions at law. Said rules shall neither abridge, enlarge nor modify the substantive rights of a litigant. They shall take effect six months after their promulgation, and thereafter all laws in conflict therewith shall be of no further force or effect.

"Sec. 2. The Court may at any time unite the general rules prescribed for it for cases in equity with those in actions at law so as to secure one form of civil action and procedure for both: provided, however, that in such union of rules the right of trial by jury as at common law and declared by the Seventh Amendment to the Constitution shall be preserved to the parties inviolate. Such united rules shall not take effect until they shall have been reported to Congress by the Attorney General at the beginning of a regular session thereof and until after the close of such session."

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28 U. S. C. Federal Rules of Civil Procedure—Rule 38(a).

The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate.

APPENDIX B

Opinion and Order of the United States District Court for the Eastern District of Pennsylvania

WOOD, *J.* June 1, 1961

On December 28, 1960, we granted the plaintiffs' motion for a preliminary injunction and filed findings of fact and conclusions of law in support of our order. The factual background of this case is sufficiently set forth in the aforesaid memorandum. Subsequently, the defendant filed its answer to the plaintiff's complaint and demanded a jury trial. The defendant did not specify the issues on which it demanded a jury trial, and it is consequently up to the Court to determine whether any of the issues in this case as presented by the pleadings to date are of a "legal nature."

Rule 38 of the Federal Rules of Civil Procedure provides in pertinent part as follows:

> "JURY TRIAL OF RIGHT.
>
> "(a) RIGHT PRESERVED. The right of trial by jury as declared by the Seventh Amendment to the Constitution . . . shall be preserved to the parties inviolate."

It is settled law that although the Federal Rules of Civil Procedure provide for "one form of action"—a civil action —, the traditional distinction between legal and equitable actions must be referred to in order to determine a party's right to a jury trial. Although we agree with the defendant that the form of relief sought by the plaintiffs is not necessarily determinative of the question of the defendant's right to a jury trial, nevertheless the form of relief sought in the complaint is an important factor to be considered in characterizing the issues in the case as either equitable or legal. (See Moore's FEDERAL PRACTICE, Vol. 5,

p. 158 et seq.) For example, if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. However, if the complaint sought specific performance of the same contract, the issues raised would be equitable in nature and neither the plaintiff nor the defendant would be entitled to a jury trial.

In the case at bar the complaint alleges that the defendant entered into a contract with the plaintiffs in 1949 whereby the plaintiffs licensed the defendant to use the plaintiffs' registered trademark "Dairy Queen" and permitted the defendant to sub-license others to use the trade name. In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. According to a provision of the contract, the defendant's right to use the plaintiffs' trademark ceased at the time of the defendant's breach. Accordingly, it is alleged that since 1954 the defendant has been infringing the plaintiff's trademark and has been collecting money in violation of the plaintiffs' rights and will continue to do so unless enjoined by this Court. The complaint seeks, in effect, a declaration that the licensing contract is null and void; an accounting of profits illegally obtained by the defendant since 1954 to date; and a permanent injunction restraining the defendant from any use of the plaintiffs' trademark "Dairy Queen", and from executing any more sub-license agreements authorizing third-persons to use that trademark. Incidental to this relief, the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract.

The defendant admits the existence and provisions of the contract, but alleges that prior to the alleged breach, the parties entered into an oral agreement which amounted to a novation (Restatement of the Law of Contracts, 424); that according to the terms of the novation, the defendant is not in breach of the original contract; and that consequently the defendant is not infringing and has not infringed the plaintiffs' trademark. In addition, the defend-

ant alleges that the plaintiffs, because of violations of the antitrust laws, have come into Court with unclean hands and, hence, are not entitled to equitable relief.

As we analyze the issues raised by the complaint and the answer, the nature of the plaintiffs' case is purely equitable.[1] Whether the plaintiffs' claim be viewed as a claim for relief for infringement of a trademark,[2] or a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark "Dairy Queen" in Pennsylvania,[3] or a claim to injunctive relief coupled with an incidental claim for damages,[4] all issues raised thereby are for the Court's determination.

The remaining question is whether the defendant's answer poses a legal issue on which the defendant is entitled to trial by jury. There is no doubt that a defendant is entitled to a jury trial of an issue legal in nature raised by the answer, even in a case in which the complaint raises only equitable issues. However, in the case at bar, we think that the defendant's answer raises only equitable issues.

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[1] See Moore's FEDERAL PRACTICE, Vol. 5, p. 207, where the author states: "The common law of trademarks is but a part of the broader law of unfair competition, . . . if he so elected, plaintiff could seek injunctive relief, with damages as incidental thereto, and all the issues are equitable in nature, i.e., for the court."

[2] See *Crane Co. v. Alonzo H. Crane et al.* (N. D. Ga. 1957), 157 F. Supp. 298, where the court held that a complaint alleging that defendants had infringed plaintiff's trademark and plaintiff asked for injunction, accounting, attorney's fees, costs, and such other relief as the court might deem just, the complaint was one for equitable relief and the issue of damages was incidental, and defendants were not entitled to a jury trial.

[3] See *Greenhood v. Orr & Sombower, Inc.* (D. C. Mass. 1958) 158 F. Supp. 908, where the court held that the relief requested by plaintiff was a declaration that a franchise granted to the defendants for use of a machine was null and void and that such action was, in effect, one for cancellation of contract, a proceeding which is traditionally equitable in nature and plaintiff was not entitled to a jury trial.

[4] See *Greenhood v. Orr & Sombower, Inc.* (ft. 3) and *Crane Co. v. Alonzo H. Crane* (ft. 2, supra).

Upjohn Co. v. Schwartz (S. D. N. Y. 1953), 117 F. Supp. 292; and *Folmer Graflex Corp. v. Graphic Photo Service et al.* (D. C. Mass. 1941), 41 F. Supp. 319. Therefore, we think neither party has the right to a jury trial of any of the issues raised by the pleadings in this case. However, we reserve judgment on the advisabiltiy of damages, if any, due plaintiffs. A the final hearing on the merits, according to the developments of the evidence, we may submit that question to a jury.

For the foregoing reasons, we enter the following Order:

ORDER

And now, to wit, this 1st day of June, 1961, IT IS ORDERED that the plaintiffs' motion to strike the defendant's demand for a trial by jury is hereby GRANTED. This action is to be heard on the merits by the Court sitting without a jury on June 27, 1961, at 10 a.m.

By the Court:

/s/ HAROLD K. WOOD, *J.*

Order of the United States Court of Appeals for the Third Circuit

No. 13643

Present: GOODRICH, MCLAUGHLIN and KALODNER, *Circuit Judges*

Upon consideration of the petition by Dairy Queen, Inc., for a writ of mandamus, and of the memorandum in support of the petition,

It is ORDERED that the petition for a writ of mandamus be and it hereby is denied.

By the Court,

GOODRICH, *Circuit Judge*

Dated: June 22, 1961

IN THE

Supreme Court of the United States

October Term, 1961.

No. 244.

DAIRY QUEEN, INC.,

Petitioner,

v.

THE HON. HAROLD K. WOOD, Judge of the United States District Court of the Eastern District of Pennsylvania, H. A. McCULLOUGH and H. F. McCULLOUGH, a partnership, doing business as McCullough's Dairy Queen, and BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, Executrix of the Estate of Howard S. Dale, Deceased, Individuals,

Respondents.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

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TABLE OF CASES CITED.

RULES CITED.

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OCTOBER TERM, 1961.

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Petitioner,

v.

THE HON. HAROLD K. WOOD, JUDGE OF THE UNITED STATES DISTRICT COURT OF THE EASTERN DISTRICT OF PENNSYLVANIA, H. A. McCULLOUGH AND H. F. McCULLOUGH, A PARTNERSHIP, DOING BUSINESS AS McCULLOUGH'S DAIRY QUEEN, AND BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY AND LORRAINE DALE, EXECUTRIX OF THE ESTATE OF HOWARD S. DALE, DECEASED, INDIVIDUALS,

Respondents.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

Respondents H. A. McCullough and H. F. McCullough, a partnership, doing business as McCullough's Dairy Queen; Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Executrix of the Estate of Howard S. Dale, deceased, oppose the petition for a writ of certiorari to the United States Court of Appeals for the Third Circuit heretofore filed by Dairy Queen, Inc., and state below the grounds and reasons for their opposition.

QUESTION PRESENTED.

Did not the Court of Appeals properly deny petitioner's application for a writ of mandamus, where the District Judge had correctly concluded that petitioner did not have a right to jury trial in this case as framed in the complaint and answer because the issues are equitable?

STATEMENT OF THE CASE.

At the outset it is necessary to correct three errors which appear in the petition.

(1) Appendix B to the petition purports to quote the Opinion and Order of District Judge Harold K. Wood of June 1, 1961, granting respondents' motion to strike petitioner's jury trial demand. At page 21, the quote reads in pertinent part as follows:

> ". . . However, we reserve judgment on the advisabilitiy (sic) of damages, if any, due plaintiffs. A (sic) the final hearing on the merits, according to the developments of the evidence, we may submit that question to a jury."

Judge Wood's Opinion actually reads as follows:

> ". . . However, we reserve judgment on the advisability *of the submission to a jury of the question of the amount* of damages, if any, due plaintiffs. At the final hearing on the merits, according to the development of the evidence, we may submit that question to a jury." (Italics is matter omitted from Judge Wood's Opinion.)

(2) The petition (page 4, footnote 2) quotes, with apparent reliance, an excerpt from a discovery deposition given by H. F. McCullough on July 5, 1961. This quote is again relied on in the petition, page 10, footnote 3.

The McCullough discovery deposition is not a part of the record in this case. It was taken after the decision of

the Court of Appeals for the Third Circuit which is the subject of this petition. Neither the McCullough deposition nor any part of it was ever offered in evidence. The four questions and answers in this deposition, out of context, quoted and relied on by petitioner are part of a deposition which encompassed over one hundred pages. Any reference to the McCullough deposition is therefore grossly improper. Petitioner's unilateral act of "filing" this deposition with the Clerk of the District Court does not alter the impropriety. Respondents do not propose to compound petitioner's error by referring to other parts of the McCullough deposition, as it was never before any of the Courts in any proceeding at any relevant stage of this case.

(3) Petitioner also asserts that its Answer with demand for jury trial included the issue of "Misuse of patent" (paragraph (b), subheading (2), Petition, page 6). The issue of misuse of patent was not before any of the Courts below in these proceedings since this issue was first raised by way of amendment to the answer served on counsel for respondents on July 5, 1961. Again any reference to such an issue in this proceeding is wholly improper.

It is apparent from petitioner's argument and presentation that it concedes that its entitlement to a jury trial must stem from the issues as framed in the complaint and answer. Notwithstanding that these pleadings are so fundamental to the question which petitioner says is presented, petitioner has not seen fit to print either the complaint or the answer for ready reference. Instead, petitioner contents itself with a self-serving, inaccurate paraphrase of the pleadings, stated in such a manner as to convey the impression which pleases petitioner.

It will be immediately noted that petitioner views this action as one to "recover a balance of a debt" (petitioner's "Questions Presented", Petition, page 2). To clarify this point, we quote immediately below the exact prayer of the present complaint:

"WHEREFORE, McCullough's Dairy Queen prays that this Honorable Court shall issue a preliminary injunction and, after a final hearing thereon, issue a permanent injunction:

(A) Enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them from

1. Using or licensing others to use McCullough's Dairy Queen trademark "DAIRY QUEEN";

2. Holding themselves out as an authorized "DAIRY QUEEN" operator;

3. Conducting any business operations in the manner and/or style of a "DAIRY QUEEN" operator;

4. Otherwise unfairly competing with McCullough's Dairy Queen and/or its other operators in the Commonwealth of Pennsylvania.

(B) Ordering an accounting to determine the exact amount of money owing by defendant to McCullough's Dairy Queen, and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount;

(C) Pending an accounting hereunder, enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them, from collecting any and all sums of money from Dairy Queen operators and mix plants and further requiring defendant through an authorized officer to advise and instruct Dairy Queen store operators and Dairy Queen mix suppliers to pay over any and all sums of money collected or to be collected, by way of royalty from the Dairy Queen stores into the registry of this Honorable Court, there to await such disposition as this Honorable Court may further direct.

"AND, McCullough's Dairy Queen further prays that it may have such other and further relief as may seem just in the premises to this Honorable Court, together with attorneys' fees, interest and costs."

It will readily be seen that the prayer of the complaint nowhere asks for recovery of any balance of any debt. Rather, the complaint seeks equitable relief as specifically set forth above.

Rather than devote any more space to a discussion of the generally inaccurate manner in which petitioner has analyzed the pleadings here, we respectfully invite this Honorable Court's attention to what the pleadings themselves say, as distinguished from any paraphrase thereof. To that end respondents have printed as an appendix to this opposition the Complaint, less exhibits (Appendix A) and the Answer (Appendix B) which were before the District Court and the Court of Appeals at relevant times. Also, respondents have printed, without errors or omissions (Appendix C), the Memorandum and Order of District Judge Harold K. Wood dated June 1, 1961, granting respondents' motion to strike petitioner's jury trial demand. It will be observed that in his Memorandum Opinion Judge Wood refers the reader to his earlier decision of December 28, 1960, on respondents' motion for a preliminary injunction for the factual background of this case. Since Judge Wood's Opinion of December 28, 1960, is not officially reported, it is likewise reproduced here (Appendix D).

Actually, the findings of fact made by District Judge Wood in his decision of December 28, 1960 * (Appendix D), present the best and most concise statement of this case. Since Judge Wood had the complaint before him during the preliminary injunction hearing, and heard evidence and argument thereon, the resulting findings are certainly a more reliable statement than that which might be

* This decision was affirmed by the Court of Appeals for the Third Circuit in a *per curiam* decision of May 16, 1961.

submitted by either side. Although we recognize that these findings are not *res judicata* on the final merits of this case, nevertheless for present purposes the attention of this Honorable Court is respectfully invited to Judge Wood's findings of fact as the best statement of what this case involves.

Petitioner first demanded a jury trial in this case in its answer filed March 1, 1961, more than two months after Judge Wood's findings of fact and conclusions of law had been entered on the motion for preliminary injunction.

ARGUMENT.

The main thrust of petitioner's position seems to be that it has been denied its Constitutional right to a jury trial, relying mainly on *Beacon Theatres, Inc. v. Westover*, 359 U. S. 500 (79 S. Ct. 948) 1959. Petitioner has badly misconstrued the *Beacon Theatres* decision. In no sense is that case opposed to the holding of the District Court in this instance.

In *Beacon Theatres*, it was held that the right to jury trial applies to suits brought under the Declaratory Judgment Act and to treble damage suits under the anti-trust laws. This Court stated (at 359 U. S. 504):

> "It follows that if Beacon had been entitled to a jury trial in a treble damage suit against Fox, it cannot be deprived of that right merely because Fox took advantage of the availability of declaratory relief to sue Beacon first. Since the right to trial by jury applies to treble damage suits under the anti-trust laws and is, in fact, an essential part of the congressional plan for making competition rather than monopoly the rule of the trade . . . the Sherman and Clayton Act issues on which Fox sought a declaration were essentially jury questions."

The present case is clearly distinguishable. The issues presented in the complaint and answer are plainly equitable. Although petitioner loosely refers to the anti-trust laws in its answer, this is done by way of raising an equitable defense to respondents' prayer for injunctive relief, rather than by way of seeking damages.

Nor is there any conflict between the decision below and the decision of the Eighth Circuit in *Leimer v. Woods*, 196 F. 2d 828; the Ninth Circuit in *Bruckman v. Hollzer*, 152 F. 2d 730, or the Second Circuit in *Ring v. Spina*, 166 F. 2d 546.

In *Leimer v. Woods*, a right to jury trial was held to exist under the Emergency Price Control Act and the Housing and Rent Act. In *Bruckman v. Hollzer*, it was held that the right to jury trial existed in a cause of action for damages for copyright infringement, where the complaint incidentally contained a cause of action for equitable relief by way of accounting and injunction. In *Ring v. Spina*, a claim for damages for violation of the anti-trust laws was held triable by jury on timely demand.

Thus it is apparent that there is no genuine conflict between the decision below and any of the decisions relied on by petitioner. The distinguishable common characteristic between the cases relied on by petitioner and the present case is that in the former, a purely legal issue was framed by the pleadings. In the present case, that is not so; the complaint and answer speak for themselves, and speak in terms of purely equitable issues. Therefore the decision by District Judge Wood is abundantly supported by the authorities which he cites, which are in point. No useful purpose is perceived in reciting them here.

However, the apparent reason for the petition for certiorari is to obtain another delay in the final disposition of this case. That the petitioner is only seeking delays in the final adjudication of this cause is apparent by the fact that the petitioner did not seek a jury trial until more than two months after a preliminary injunction was entered against it. It is mystifying and a total paradox for petitioner to complain of the *res judicata* aspects of its case at pages 8 and 12 of the petition when petitioner did not ask for a jury trial until after it knew of the findings of fact of the Trial Judge on the hearing for the preliminary injunction. Petitioner, instead of making its request for a jury trial known in the timely fashion required by Rule 38 of the Federal Rules of Civil Procedure *chose to wait and see* which way the Trial Judge would decide equitable issues on the preliminary injunction before interposing a request for a jury. The *Beacon Theatres v. Westover* case, 359 U. S. 500, never

intended that a defendant, dissatisfied with an equitable ruling of a trial judge, could start all over again by way of a tardy request for a jury trial.

Petitioner, rather than relying on any real and substantial Constitutional rights, is simply misusing some of the language in the *Beacon Theatres* case in an attempt to delay judgment which is prejudicial to the equitable rights of the respondents. The Constitution was never intended to be used to postpone determination of equitable causes and deprive a plaintiff of its rights under the artful guise of a defendant's supposed rights to a jury.

In addition, there is serious doubt whether petitioner has complied with the word and spirit of Rule 23, subparagraph 4, of the Rules of this Honorable Court. Respondents have demonstrated in their statement of facts petitioner's failure to present this writ "with accuracy . . . and clearness . . . essential to a ready and accurate understanding of the points requiring consideration". For this reason alone the subject petition should be denied.

CONCLUSION.

1. The petitioner, through omissions and paraphrasing of the complaint and answer and Opinion below, tends to mislead this Court as to the true state of the record on which its application is based.

2. There is no conflict whatever between the decision below and the cases relied on by petitioner.

3. The decision below is amply supported by the authorities cited in the Opinion of District Judge Wood.

4. Under the issues framed by the pleadings, petitioner has not been denied any Constitutional right to a jury trial.

For the foregoing reasons the petition for a writ of certiorari should be denied.

Respectfully submitted,

Mark D. Alspach,
Krusen, Evans and Byrne,
Attorney for Respondents.

Of Counsel:

Owen J. Ooms,
Malcolm S. Bradway,
Ooms, Welsh & Bradway.

APPENDIX A.

IN THE

UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA.

CIVIL ACTION No. 28876

H. A. McCULLOUGH AND H. F. McCULLOUGH, A PARTNERSHIP, DOING BUSINESS AS McCULLOUGH'S DAIRY QUEEN

AND

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY AND LORRAINE DALE, EXECUTRIX OF THE ESTATE OF HOWARD S. DALE, DECEASED, INDIVIDUALS,

Plaintiffs,

v.

DAIRY QUEEN, INC.,

Defendant.

COMPLAINT.

Plaintiffs, H. A. McCullough and H. F. McCullough, doing business as McCullough's Dairy Queen (hereinafter sometimes referred to as "McCullough's Dairy Queen"), allege as follows:

1. Plaintiffs, H. A. McCullough and H. F. McCullough, are a partnership doing business as McCul-

lough's Dairy Queen, and have a place of business at Moline, Illinois. Plaintiff Burton F. Myers, an individual, is a citizen of the State of Minnesota, residing at St. Paul, Minnesota. Plaintiff Robert J. Rydeen, an individual, is a citizen of the State of Minnesota, residing in St. Paul, Minnesota. Plaintiff M. E. Montgomery, an individual, is a citizen of the State of Arizona, residing in Tucson, Arizona. Plaintiff Lorraine Dale, Executrix of the Estate of Howard S. Dale, deceased, is a citizen of the State of Minnesota, residing in Minneapolis, Minnesota.

2. Defendant, Dairy Queen, Inc., is a corporation organized and existing under the laws of the State of Washington, which is registered to do business in the Commonwealth of Pennsylvania and has an office and place of business within this District.

3. Jurisdiction of the within matter is founded on diversity of citizenship of the parties and the amount in controversy in this action exceeds the sum of $10,000, exclusive of interest and costs.

4. Said H. A. McCullough, together with a former partner of plaintiff, originated the name "DAIRY QUEEN" in 1940, and from that date to December 30, 1946, used said name in connection with the sale by them, or by others franchised by them, of a frozen dairy product made in accordance with a special formula developed by McCullough's Dairy Queen's predecessor, in the continental United States. On January 2, 1947, H. A. McCullough, under the name of McCullough's Dairy Queen, registered the trademark "DAIRY QUEEN" for a frozen dairy product in Pennsylvania, which registration has since been renewed and is current and subsisting and has been and is still the property of McCullough's Dairy Queen.

5. McCullough's Dairy Queen has franchised and licensed persons to use its trademark "DAIRY QUEEN" throughout the United States and the Commonwealth of Pennsylvania through state and district operators.

6. McCullough's Dairy Queen and its predecessors have had prepared, under their direction and supervision, plans and specifications of a distinctive prototype building, on which the name "DAIRY QUEEN" is prominently displayed, to be used by all "DAIRY QUEEN" retail stores. They have supplied blueprint copies of these plans and specifications to each state or district franchise operator throughout the United States, to be delivered by them to each of the store franchise operators in their territory to be used by them in the construction of the store buildings in which the frozen dairy product known as "DAIRY QUEEN" is sold. The district or state franchise operators have so delivered these copies of plans and specifications and the store franchise operators have so used these plans and specifications. Every one of the more than three thousand (3,000) "DAIRY QUEEN" stores throughout the United States has been built on the basis of these plans and specifications developed and distributed by McCullough's Dairy Queen and its predecessors, and as a result each "DAIRY QUEEN" store presents a distinctive appearance.

7. McCullough's Dairy Queen has spent large sums of money advertising and promoting the name "DAIRY QUEEN" throughout the United States and to the consumer public throughout the United States. McCullough's Dairy Queen has also spent large sums of money and has devoted substantial amounts of its time to the inspection of "DAIRY QUEEN" franchise stores operating throughout the United States in order to insure that the uniformity and quality of the product sold as "DAIRY QUEEN" is maintained and to insure that the stores themselves are kept clean and attractive. Further, McCullough's Dairy Queen has spent substantial amounts of time and money in the development and improvement and inspection of machines used in the sale of "DAIRY QUEEN" so as to maintain and improve the quality of the frozen dairy product sold at "DAIRY QUEEN" franchise stores; in the development of methods of improving the quality, taste and uniformity of the product sold

as "DAIRY QUEEN" by local store franchise operators throughout the United States; the development of uniform designs and markings for containers in which the product is sold to the public; and in the training and education of store franchise operators and their employees in the proper operation of local stores for the sale of the frozen dairy product known as "DAIRY QUEEN". By reason of McCullough's Dairy Queen's efforts and expenditures of money, the name "DAIRY QUEEN" has become associated in the minds of the consuming public with a uniform product of consistently high quality sold only at clean and attractive stores of uniform design operated by persons following substantially identical sales and operating methods, and the consuming public throughout the United States now regards all articles sold under the name "DAIRY QUEEN" as the products of one organization.

8. On October 18, 1949, McCullough's Dairy Queen's predecessors, namely a partnership consisting of H. A. McCullough, H. F. McCullough and J. F. McCullough, entered into an agreement with Messrs. Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Howard S. Dale, decedent of plaintiff Lorraine Dale herein, for the exclusive right to use the trademark "DAIRY QUEEN", among other things, in certain portions of the Commonwealth of Pennsylvania in consideration of the payment of certain sums, and providing for reversion to them in the event of default, and that the title to the territory granted remain vested in the McCulloughs, and also reserving the right to the trademark "DAIRY QUEEN" in the Commonwealth of Pennsylvania, except as specifically granted in separate agreements. A copy of the aforesaid agreement of October 18, 1949, is attached hereto and made a part hereof and marked as "Exhibit A".

9. On November 29, 1949, all of the rights granted in the contract of October 18, 1949, were assigned and transferred over to third parties, not here important, and on December 23, 1949, the October 18, 1949 agreement was

assigned and transferred over to the defendant, Dairy Queen, Inc. A copy of the aforesaid agreement and transfer of December 23, 1949, is attached hereto and made a part hereof and marked as "Exhibit B". In this document defendant assumed the performance of all obligations to McCullough's Dairy Queen set forth in the October 18, 1949 agreement.

10. In the October 18, 1949, agreement, defendant's predecessors agreed to pay four cents (4¢) a gallon on all mix used or sold through any and all "DAIRY QUEEN" stores, the said payment to be made to Ar-Tik System, Inc., of Miami, Florida, and the defendant's predecessors further agreed to pay to McCullough's Dairy Queen the sum of $150,000.00 with a small partial initial payment and the remaining payments to be made at 50% of all amounts on sales of franchises or territorial rights made by defendant and its predecessors, or 50% of the sale value of all franchise or territorial rights used by defendant's predecessors, the said $150,000.00 payment to be completed within a certain period of time, all as set forth in said contract.

11. Defendant respected said agreement of October 18, 1949, and made the payment of four cents (4¢) a gallon for a number of years and has made some payments in accordance with the said contract on the sale price of $150,000.00.

12. Defendant has, for a number of years, ceased paying the aforesaid 50% of the value of all franchises sold or used by defendant as required in the contract, "Exhibit A", as well as to make certain annual minimum payments, although since that date defendant has continued to receive money from the sale of such franchises and has continued to have the benefit of use of certain territories, all of which has unjustly enriched defendant and constitutes a material breach of said contract.

13. McCullough's Dairy Queen, on information and belief, has been informed that defendant is in a precarious financial condition which has led McCullough's Dairy Queen to believe that unless defendant is enjoined by this Court, McCullough's Dairy Queen may lose, through bankruptcy or other action of defendant, its rights to money that has previously been collected and/or hereafter be collected by defendant for the benefit of McCullough's Dairy Queen. Furthermore, McCullough's Dairy Queen fears that the operation of "DAIRY QUEEN" stores in defendant's territory as set forth in the said contract, "Exhibit A", will be in jeopardy and not in accordance with standards required in the said contract, unless defendant is enjoined as hereinafter provided; which operation of the stores in defendant's territory, initiated and promoted by McCullough's Dairy Queen, is important from the standpoint of the nationwide reputation of "DAIRY QUEEN" stores.

14. Defendant is in default to McCullough's Dairy Queen under the said contract, "Exhibit A", in excess of $60,000.00.

15. McCullough's Dairy Queen, on information and belief, has further been informed that defendant, by reason of its failure to pay the 4¢ per gallon to Ar-Tik Systems, Inc., hereinbefore referred to, has been sued by Ar-Tik Systems, Inc.; and that said suit on September 13, 1960, resulted in an adjudication by the United States District Court for the Eastern District of Pennsylvania which, when liquidated by judgment, will result in defendant's liability to Ar-Tik Systems, Inc., in an amount in excess of $100,000.00, as nearly as the same can presently be estimated. This leads McCullough's Dairy Queen to believe that unless defendant is enjoined by this Court, McCullough's Dairy Queen may lose, through bankruptcy or other action of defendant, the rights to money that has previously been collected by defendant for the benefit of McCullough's Dairy Queen.

16. By reason of the aforesaid, in accordance with paragraph nine of "Exhibit A", McCullough's Dairy Queen, on August 26, 1960, notified defendant by letter that defendant had been guilty of a material breach of the said contract; and that unless defendant cured its breach, its Dairy Queen franchise was cancelled. A copy of the aforementioned letter is attached hereto and made a part hereof, marked "Exhibit C". Defendant has not cured its default since the date of the aforesaid notice letter. McCullough's Dairy Queen, on information and belief, is further informed that defendant is contesting the right of McCullough's Dairy Queen to cancel its franchise agreement.

17. Subsequent to the notice letter referred to in paragraph sixteen, above, and following the cancellation of defendant's franchise accomplished thereby, defendant nevertheless continued, is continuing and threatens to continue to operate and to license others or franchise others to operate the Dairy Queen franchise in the pertinent Commonwealth of Pennsylvania territory, and to conduct business with the Dairy Queen stores and all other Dairy Queen business as an authorized and licensed Dairy Queen operator, all of which is in violation of the aforesaid cancellation and constitutes infringement by defendant of McCullough's Dairy Queen's trademark "DAIRY QUEEN".

18. In all of the foregoing premises, McCullough's Dairy Queen is threatened with immediate and irreparable injury and loss and McCullough's Dairy Queen has no adequate remedy at law.

WHEREFORE, McCullough's Dairy Queen prays that this Honorable Court shall issue a preliminary injunction and, after a final hearing thereon, issue a permanent injunction:

(A) Enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them from

1. Using or licensing others to use McCullough's Dairy Queen trademark "DAIRY QUEEN";

2. Holding themselves out as an authorized "DAIRY QUEEN" operator;

3. Conducting any business operations in the manner and/or style of a "DAIRY QUEEN" operator;

4. Otherwise unfairly competing with McCullough's Dairy Queen and/or its other operators in the Commonwealth of Pennsylvania.

(B) Ordering an accounting to determine the exact amount of money owing by defendant to McCullough's Dairy Queen, and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount;

(C) Pending an accounting hereunder, enjoining defendant, its officers, directors, servants, agents, employees, and all those acting by and under them, or in privity with them, or in concert with them, from collecting any and all sums of money from Dairy Queen operators and mix plants and further requiring defendant through an authorized officer to advise and instruct Dairy Queen store operators and Dairy Queen mix suppliers to pay over any and all sums of money collected or to be collected, by way of royalty from the Dairy Queen stores into the registry of this Honorable Court, thereto await such disposition as this Honorable Court may further direct.

AND McCullough's Dairy Queen further prays that it may have such other and further relief as may seem just in the premises to this Honorable Court, together with attorneys' fees, interest and costs.

Plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, for their cause of action, allege as follows:

19. Plaintiffs Myers, Rydeen, Montgomery and Dale reallege and reiterate paragraphs one through eighteen of the foregoing complaint as though fully set forth herein.

20. By reason of defendant's default under "Exhibit A", plaintiffs Myers, Rydeen, Montgomery and Dale are liable to McCullough's Dairy Queen in the event that defendant cannot meet the obligations imposed upon it by "Exhibit A"; and defendant will then also be liable to plaintiffs Myers, Rydeen, Montgomery and Dale, in the same amount.

21. Plaintiffs Myers, Rydeen, Montgomery and Howard S. Dale, decedent of plaintiff Lorraine Dale herein, entered into an agreement with defendant, dated December 29, 1956, a copy of which is attached hereto and made a part hereof as "Exhibit D", whereby plaintiffs Myers, Rydeen, Montgomery and Dale are entitled to receive certain royalties from the "DAIRY QUEEN" operations under the franchise agreement of "Exhibit A", which amounts are threatened to be extinguished by reason of defendant's breach of the contract, "Exhibit A" and the consequent cancellation thereof by McCullough's Dairy Queen.

22. Defendant is presently in separate default under "Exhibit D" in that it has failed to pay to plaintiffs Myers, Rydeen, Montgomery and Dale all of the amounts of money thereunder due and owing to them during the year 1960.

23. By reason of all of the foregoing, the business interests of plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale under the aforesaid contracts are threatened with immediate and irreparable damage and loss, and will be so threatened, as to all of which plaintiffs Myers, Rydeen, Montgomery and Dale have no adequate remedy at law, unless defendant is removed as the authorized Dairy Queen operator; is made to account for monies due and owing McCullough's Dairy Queen and plaintiffs Myers, Rydeen, Montgomery and Dale; and is required to pay and/or compel payment of

any future royalties received into the registry of this Honorable Court.

WHEREFORE, plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale pray that this Honorable Court shall favorably entertain the application for relief made hereinabove by plaintiff McCullough's Dairy Queen; and join in the several prayers for relief as heretofore made by McCullough's Dairy Queen.

KRUSEN, EVANS & SHAW,

By MARK D. ALSPACH,
Attorneys for Plaintiffs, H. A. McCullough and H. F. McCullough, a partnership d.b.a. McCullough's Dairy Queen.

KRUSEN, EVANS & SHAW,

By MARK D. ALSPACH,
Attorneys for Plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Exrx. of Est. of Howard S. Dale, deceased.

Of Counsel:

OOMS, WELSH AND BRADWAY,
OWEN J. OOMS AND
MALCOLM S. BRADWAY,
One North LaSalle Street,
Chicago 2, Illinois.

AFFIDAVIT.

STATE OF ILLINOIS
COUNTY OF } *ss.:*

HUGH F. MCCULLOUGH, being first duly sworn, deposes and states as follows:

1. I am a partner of McCullough's Dairy Queen and I am one of the plaintiffs set forth in the complaint which is attached hereto.

2. I have read the foregoing complaint and know the contents thereof, and that those allegations set forth in the complaint for McCullough's Dairy Queen cause of Action are true of his own knowledge, except to those matters alleged on information and belief and as to those matters, I believe them to be true.

3. As to those allegations set forth in the complaint in the cause of action of Burton F. Myers, Robert J. Rydeen, and M. E. Montgomery, I believe them to be true.

Further affiant sayeth not.

HUGH F. MCCULLOUGH
Hugh F. McCullough

Subscribed and sworn to before me this day of , 1960.

Notary Public.

AFFIDAVIT.

STATE OF
COUNTY OF } *ss.:*

BURTON F. MYERS, being first duly sworn, deposes and states as follows:

1. I am one of the plaintiffs set forth in the complaint which is attached hereto.

2. I have read the foregoing complaint and know the contents thereof and that as to paragraphs 1, 2, 20, 21, 22 and 23 of the foregoing complaint, I believe those matters therein to be true of my own knowledge.

3. As to the allegations of the remainder of the complaint, I believe them to be true.

Further affiant sayeth not.

BURTON F. MYERS
Burton F. Myers

Subscribed and sworn to before me this 27th day of September, 1960.

(name illegible)

Notary Public.

APPENDIX B.

DEFENDANT'S ANSWER AND NEW MATTER

For answer to the paragraphs of the Complaint in the above-entitled cause, the defendant says:

1, 2. Admitted.

3. Denied that the plaintiffs Burton F. Myers, et al. have a claim for an amount in excess of $10,000.00 exclusive of interest and costs. The fact is that the defendant is not indebted to the said plaintiffs for any sums whatsoever.

4-7. Defendant alleges it is without knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraphs 4, 5, 6, 7, 8 and 9 of the Complaint, and, therefore, said allegations are denied.

8. The agreement of October 18, 1949, marked Exhibit "A", is admitted.

9. The assignment of December 23, 1949, marked Exhibit "B", is admitted.

10. Denied as stated. It is further alleged that the agreement referred to speaks for itself.

11, 12. Denied as stated. The fact is that the defendant has fully complied with the agreement of October 18, 1949.

13. Denied as stated. It is denied that the plaintiffs H. A. and H. F. McCullough have any claim or title to any funds collected by the defendant. The remaining averments of Paragraph 13 being argumentative and conclusions, no answer is made thereto.

14. Denied. The fact is that the defendant is in full compliance with the contract, Exhibit "A".

15. Denied as stated. The fact is that there has as yet been no final determination of defendant's liability to Ar-Tik Systems, Inc. for payments alleged to be due it under the said agreement marked Exhibit "A". The further fact is that the matter is on appeal in the United States Court of Appeals for this circuit, No. 13447.

16. The receipt of the letter marked Exhibit "C" is admitted. It is denied that the defendant was in default. The fact is that it was in full compliance with the said agreement.

17. Denied as stated. It is denied that the effect of the letter marked Exhibit "C" was a cancellation of the defendant's franchise. The fact is that the defendant was in full compliance with the said agreement and for further answer refers to the New Matter hereinafter set forth.

18. A. Denied.

B. It is averred that the Complaint upon which the plaintiffs H. A. McCullough and H. F. McCullough rely fails to state a claim against the defendant upon which relief can be granted.

19. For answer, defendant refers to its answers to Paragraphs 1 to 18, inclusive.

20. It is denied that the plaintiffs Burton F. Myers et al. have any standing, claim or right as a party plaintiff in the instant action. The averments of Paragraph 20 of the Complaint are conclusions of law and require no specific answer. If it is intended as a claim through the first-named plaintiffs, H. A. McCullough et al., defendant incorporates herein Paragraphs 24A, B and C. It is further averred that the averments of the Complaint relied upon by the plaintiffs

Burton F. Myers et al. fail to state a claim against the defendant upon which relief can be granted.

21. The agreement marked Exhibit "D" is admitted.

22. Denied. The fact is that the defendant is in full compliance with the said agreement marked Exhibit "D".

23. Denied as stated. The fact is that the plaintiffs Burton F. Myers et al. have no claim in law or in equity against the defendant.

And for further defense:

24. A. Plaintiffs are barred from the relief prayed for by virtue of misuse and continued misuse of the "Dairy Queen" trademark by H. A. McCullough, H. F. McCullough and McCullough's Dairy Queen. The misuse which bars plaintiffs from the relief prayed for includes conspiring with others throughout the United States to extend the payment of royalties for the use of an invention covered by a United States patent beyond the expiration date of said patent, and said plaintiffs have participated in the enjoyment of such wrongfully extended royalties and seek to continue doing so. Plaintiffs have also misused said "Dairy Queen" trademark by compelling licensees thereunder to use a particular freezer and to purchase such freezers solely through plaintiffs, and plaintiffs have further misused said "Dairy Queen" trademark by conspiring with freezer manufacturers to restrict the sales of such freezers only to those licensed by the plaintiffs under their "Dairy Queen" trademark.

B. Plaintiffs are barred from the relief prayed for by virtue of violations and continued violations of the Antitrust laws of the United States by H. A. McCullough et al. The Antitrust violations which bar plaintiffs from the relief prayed for include conspiring with others to restrain com-

petition in the manufacture and sale of freezer machines throughout the United States.

25. A. Plaintiffs H. A. McCullough and H. F. McCullough seek a forfeiture of the agreement marked Exhibit "A" and attached to the Complaint on the ground that there has been an omission to pay the annual minimum payment of $18,625.00 provided for in Paragraph 4b(2). The fact is that this annual minimum payment has not been made since October 16, 1954, and it is averred that the said plaintiffs are barred from asserting this default as a result of

(1) Laches.

(2) Estoppel in that since October 16, 1954, the defendant with the full knowledge of the said plaintiffs has expended upward of $300,000. in the further development of the territory covered by the agreement marked Exhibit "A".

NEW MATTER

26. On or about January of 1955 the plaintiffs H. A. McCullough and H. F. McCullough, acting by their authorized agent, Hugh F. McCullough, and Dean Mohler, acting on behalf of defendant, orally agreed that the agreement marked Exhibit "A" should be modified so that there would no longer be any obligation on the part of defendant effective with October 15, 1954 for the defendant to make the said annual payment but that thereafter the defendant should pay the plaintiff 50% of the proceeds received by the defendant from the sale of sublicenses made under the said agreement.

27. Pursuant to the said oral arrangement and agreement modification, the defendant paid to and the said plaintiffs received the sums hereinafter set forth on the dates indicated, representing 50% of the proceeds of the sublicenses made by the defendant:

December 29, 1956	$5,000.00
April 20, 1959	5,000.00
January 7, 1960	2,887.50
September 30, 1960	3,970.20

28. Defendant demands a trial by jury.

/s/ MICHAEL H. EGNAL,
Michael H. Egnal,
Attorney for Defendant.

Service of a copy of the above Answer on the 1st day of March, 1961, is acknowledged.

KRUSEN, EVANS & SHAW,

By s/
Attorneys for Plaintiffs.

APPENDIX C.

MEMORANDUM AND ORDER SUR PLAINTIFFS' MOTION TO STRIKE DEFENDANT'S DEMAND FOR JURY TRIAL.

WOOD, J. June 1, 1961

On December 28, 1960, we granted the plaintiffs' motion for a preliminary injunction and filed findings of fact and conclusions of law in support of our order. The factual background of this case is sufficiently set forth in the aforesaid memorandum. Subsequently, the defendant filed its answer to the plaintiffs' complaint and demanded a jury trial. The defendant did not specify the issues on which it demanded a jury trial, and it is consequently up to the Court to determine whether any of the issues in this case as presented by the pleadings to date are of a "legal nature."

Rule 38 of the Federal Rules of Civil Procedure provides in pertinent part as follows:

> "JURY TRIAL OF RIGHT.
>
> "(a) RIGHT PRESERVED. The right of trial by jury as declared by the Seventh Amendment to the Constitution * * * shall be preserved to the parties inviolate."

It is settled law, that although the Federal Rules of Civil Procedure provide for "one form of action"—a civil action —, the traditional distinction between legal and equitable actions must be referred to in order to determine a party's right to a jury trial. Although we agree with the defendant that the form of relief sought by the plaintiffs is not necessarily determinative of the question of the defendant's right to a jury trial, nevertheless the form of relief sought in the complaint is an important factor to be considered in charac-

terining the issues in the case as either equitable or legal. (See Moore's FEDERAL PRACTICE, Vol. 5, p. 158 et seq.) For example, if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. However, if the complaint sought specific performance of the same contract, the issues raised would be equitable in nature and neither the plaintiff nor the defendant would be entitled to a jury trial.

In the case at bar the complaint alleges that the defendant entered into a contract with the plaintiffs in 1949 whereby the plaintiffs licensed the defendant to use the plaintiffs' registered trademark "Dairy Queen" and permitted the defendant to sub-license others to use the trade name. In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. According to a provision of the contract, the defendant's right to use the plaintiffs' trademark ceased at the time of the defendant's breach. Accordingly, it is alleged that since 1954 the defendant has been infringing the plaintiffs' trademark and has been collecting money in violation of the plaintiffs' rights and will continue to do so unless enjoined by this Court. The complaint seeks, in effect, a declaration that the licensing contract is null and void; an accounting of profits illegally obtained by the defendant since 1954 to date; and a permanent injunction restraining the defendant from any use of the plaintiffs' trademark "Dairy Queen", and from executing any more sublicense agreements authorizing third-persons to use that trademark. Incidental to this relief, the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract.

The defendant admits the existence and provisions of the contract, but alleges that prior to the alleged breach, the parties entered into an oral agreement which amounted to a novation (Restatement of the Law of Contracts, § 424); that according to the terms of the novation, the defendant is

not in breach of the original contract; and that consequently the defendant is not infringing and has not infringed the plaintiffs' trademark. In addition, the defendant alleges that the plaintiffs, because of violations of the antitrust laws, have come into Court with unclean hands and, hence, are not entitled to equitable relief.

As we analyze the issues raised by the complaint and the answer, the nature of the plaintiffs' case is purely equitable.[1] Whether the plaintiffs' claim be viewed as a claim for relief for infringement of a trademark,[2] or a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark "Dairy Queen" in Pennsylvania,[3] or a claim to injunctive relief coupled with an incidental claim for damages,[4] all issues raised thereby are for the Court's determination.

The remaining question is whether the defendant's answer poses a legal issue on which the defendant is entitled to trial by jury. There is no doubt that a defendant is entitled to a jury trial of an issue legal in nature raised by

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1. See Moore's FEDERAL PRACTICE, Vol. 5, p. 207, where the author states: "The common law of trademarks is but a part of the broader law of unfair competition, * * * if he so elected, plaintiff could seek injunctive relief, with damages as incidental thereto, and all the issues are equitable in nature, i.e., for the court."

2. See *Crane Co. v. Alonzo H. Crane, et al.*, (N. D. Ga. 1957), 157 F. Supp. 293, where the court held that a complaint alleging that defendants had infringed plaintiff's trademark and plaintiff asked for injunction, accounting, attorneys' fees, costs, and such other relief as the court might deem just, the complaint was one for equitable relief and the issue of damages was incidental, and defendants were not entitled to a jury trial.

3. See *Greenhood v. Orr & Sembower, Inc.*, (D. C. Mass. 1958), 158 F. Supp. 906, where the court held that the relief requested by plaintiff was a declaration that a franchise granted to the defendants for use of a machine was null and void and that such action was, in effect, one for cancellation of a contract, a proceeding which is traditionally equitable in nature and plaintiff was not entitled to a jury trial.

4. See *Greenhood v. Orr & Sembower, Inc.*, footnote 3, and *Crane Co. v. Alonzo H. Crane*, footnote 2, *supra*.

the answer, even in a case in which the complaint raises only equitable issues. However, in the case at bar, we think that the defendant's answer raises only equitable issues. *Upjohn Co. v. Schwartz*, (S. D. N. Y. 1953), 117 F. Supp. 292; and *Folmer Graflex Corp. v. Graphic Photo Service, et al.*, (D. C. Mass. 1941), 41 F. Supp. 319. Therefore, we think neither party has the right to a jury trial of any of the issues raised by the pleadings in this case. However, we reserve judgment on the advisability of the submission to a jury of the question of the amount of damages, if any, due plaintiffs. At the final hearing on the merits, according to the development of the evidence, we may submit that question to a jury.

For the foregoing reasons, we enter the following Order:

ORDER.

And now, to wit, this 1st day of June, 1961, It Is Ordered that the plaintiffs' motion to strike the defendant's demand for a trial by jury is hereby Granted. This action is to be heard on the merits by the Court sitting without a jury on June 27, 1961, at 10 a.m.

By THE COURT:

/s/ Harold K. Wood, *J.*

APPENDIX D.

FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER SUR PLAINTIFFS' MOTION FOR A PRELIMINARY INJUNCTION.

December 28, 1960.

WOOD, *J.*

I. FINDINGS OF FACT.

After a hearing at which plaintiffs presented evidence in support of their motion for a preliminary injunction, we make the following Findings of Fact:

1. Plaintiffs, H. A. McCullough and H. F. McCullough, are a partnership doing business as McCullough's Dairy Queen and have a place of business at Moline, Illinois; plaintiff Burton F. Myers is a citizen of the State of Minnesota; plaintiff Robert J. Rydeen is a citizen of the State of Minnesota; plaintiff E. M. Montgomery is a citizen of the State of Arizona; plaintiff Lorraine Dale is a citizen of the State of Minnesota.

2. The defendant, Dairy Queen, Inc. is a corporation organized under the laws of the State of Washington; is registered to do business in Pennsylvania; and has a place of business within this judicial district.

3. The amount in controversy exceeds $10,000, exclusive of interest and costs.

4. McCullough's Dairy Queen owns the trade-mark "Dairy Queen," the name for a frozen dairy product sold at distinctive retail outlets. The trade-mark is registered under the laws of the Commonwealth of Pennsylvania.

5. McCullough's Dairy Queen has licensed persons to use its trade-mark "Dairy Queen" throughout the United States, including the State of Pennsylvania.

6. Through the efforts of McCullough's Dairy Queen, the name "Dairy Queen" has become associated in the

minds of the consuming public with a uniform product of high quality sold at clean retail stores of a uniform design.

7. On October 18, 1949, plaintiffs Myers, Rydeen, Montgomery and Dale, entered into a contract with McCullough's Dairy Queen for the purchase of the exclusive right to use the trade-mark "Dairy Queen" within a described area of Pennsylvania. This contract was subsequently assigned to the defendant Dairy Queen, Inc. The defendant assumed all of the obligations of the contract.

8. The contract of October 18, 1949 (which was assigned to the defendant as stated above), authorized the defendant to conduct the operations of the development of the Dairy Queen retail outlets in a described area of Pennsylvania. The defendant acquired under the contract the right to subfranchise others to use the trade-mark "Dairy Queen" within the described area of Pennsylvania. In return, the defendant promised to pay McCullough's Dairy Queen the minimum sum of $18,625.00 a year until the amount of $149,000.00 was fully paid as consideration for the use of the trade name.

9. Since 1954, the defendant has not met the minimum payment required by the contract. At present, a balance in excess of $60,000 is past due and owing by the defendant to McCullough's Dairy Queen.

10. The contract of October 18, 1949, provided that failure of the defendant to make payments promptly as required therein would cause any rights of the defendant acquired under the contract to cease and become null and void, unless the default were corrected.

11. On August 26, 1960, McCullough's Dairy Queen wrote a letter to the defendant stating that unless the defendant's default in payments due under the contract were corrected promptly, the contract was deemed cancelled. This letter was received by the defendant.

12. To date, the default has not been corrected.

13. The defendant does not itself operate retail outlets for the sale of Dairy Queen. Its primary business operation is licensing others to use the Dairy Queen name by way of subfranchise agreements. The defendant has negotiated between thirty and forty such subfranchise agreements since 1954.

14. Subsequent to the letter cancelling the contract (see Finding Number II), the defendant nevertheless continued to negotiate subfranchise agreements as aforesaid. Approximately five new subfranchise agreements were negotiated by the defendant in 1960.

15. At present, the defendant has a list of prospective buyers for these subfranchise agreements and intends to pursue these business opportunities unless prevented from doing so by this Court.

16. Because of the defendant's continued use of the plaintiff's trade-mark "Dairy Queen" and the defendant's present intention to collect the profits from execution of new subfranchise agreements purporting to license others to use the name "Dairy Queen", McCullough's Dairy Queen is suffering and will continue to suffer irreparable injury and loss.

CONCLUSIONS OF LAW.

1. The Court has jurisdiction over the parties and over the subject matter of this suit.

2. The defendant breached the contract of October 18, 1949, in failing to meet the minimum yearly payments required thereunder.

3. The contractual provision requiring the minimum payment of $18,625.00 per year was not changed by any oral agreement.

4. McCullough's Dairy Queen had the right to and did effectively cancel the contract of October 18, 1949, by the letter of August 26, 1960.

5. Upon cancellation of the contract of October 18, 1949, defendant's right to the use of the trademark "Dairy Queen" ceased. All subfranchise agreements and other uses of that trademark by defendant subsequent to the cancellation of the contract constituted infringements of plaintiff McCullough's Dairy Queen's trademark.

6. Defendant will continue to infringe plaintiff's trademark unless restrained by this Court. Continued use by defendant of the name "Dairy Queen" will result in irreparable injury and loss to plaintiff McCullough's Dairy Queen, for which there is no adequate remedy at law.

7. The plaintiff's right to relief having been established, the chancellor must still balance the equities between the parties when deciding upon the proper scope of injunctive relief to be granted. The preliminary injunction should be drawn so as to preserve the status quo pending a full hearing on the merits. Applying these principles to the facts before us, we think that preliminarily restraining the defendant from any and all use of the name "Dairy Queen" would be inequitable, since defendant would thereby be prevented from operating *any* phase of its business. We do, however, think it proper to preserve the status quo between the parties by preventing the defendant from negotiating any more subfranchise agreements for the use of the name "Dairy Queen." We therefore enter the following Order:

ORDER.

And now, to wit, this 28th day of December, 1960, the defendant, Dairy Queen, Inc., and its agents are hereby enjoined from executing any "Dairy Queen" franchise or subfranchise agreements unless such agreements have the written approval of the plaintiffs or of this Court. In all other respects, the plaintiffs' motion for a preliminary injunction is hereby DENIED.

By THE COURT:

/s/ HAROLD K. WOOD, *J.*

IN THE

Supreme Court of the United States

October Term, 1961
No. 244

DAIRY QUEEN, INC.,
Petitioner

vs.

THE HON. HAROLD K. WOOD, *Judge of the United States District Court of the Eastern District of Pennsylvania*, H. A. MCCULLOUGH and H. F. MCCULLOUGH, *a partnership, doing business as McCullough's Dairy Queen*, and BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, *Executrix of the Estate of Howard E. Dale, Deceased, Individuals*,
Respondents

PETITIONER'S REPLY BRIEF

DONALD M. BOWMAN, ESQ.
1315 Walnut Street
Philadelphia 7, Penna.
Attorney for Petitioner

THE LEGAL INTELLIGENCER, 10 S. 37TH ST., PHILA. 4

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Respondents

PETITIONER'S REPLY BRIEF

The respondents, in their Brief in opposition to the Petition for Writ of Certiorari to the United States Court of Appeals for the Third Circuit, appear to have emphasized several collateral items which should not go unanswered.

1. The respondents' charge that "The apparent reason for the Petition for Certiorari is to obtain another delay in the final disposition of this case" appears to be predicated upon the contention Petitioner did not file its Answer containing a demand for a jury trial until approximately two months after the action was commenced. Approximately one-half of the respondents' argument is devoted to this

item. That this charge is unfounded can be demonstrated in brief terms.

McCulloughs' bond in completing the preliminary injunction was filed on January 6, 1961, and petitioner noticed its appeal to the United States Court of Appeals for the Third Circuit from the Order granting the preliminary injunction on January 9, 1961. Petitioner's counsel embarked immediately on arrangements for continuing the proceedings in the court below. It appeared that neither counsel were certain of the effect of the said appeal on the proceedings in the court below, and as a result of a discussion between counsel there was a standstill accord which was confirmed by letter of January 10, 1961, hereto attached as Exhibit "A".

Subsequently, McCulloughs' counsel modified his accord of January 10, 1961, by letter of January 23, 1961, indicating that the situation would be governed by what was determined by applicable legal principles. This letter is attached and marked Exhibit "B".

McCulloughs' counsel continued to urge that the aforesaid appeal prevented any further proceedings below, and on January 24, 1961, there was sent to McCulloughs' counsel a stipulation to that effect. This was returned unsigned on February 1, 1961. Accordingly, counsel for petitioner concluded because of the uncertainty as to the effect of the aforesaid appeal the Answer would be filed during the pendency thereof. This was indicated in a letter of February 6, 1961, hereto attached and marked Exhibit "C".

McCulloughs' counsel raised no objection at any point as to the time within which the Answer was filed. On the contrary, in his Motion to strike the defendant's demand for a trial by jury filed March 9, 1961, he persisted in urging the said appeal prevented the filing of the Answer and stated:

> "The pleading referred to above [defendant's Answer and New Matter] is not and was not properly filed in the District Court, in that when it was filed,

the record in the case had already been transmitted to the United States Court of Appeals for the Third Circuit, and had been there docketed."

2. Petitioner is criticized for its footnote, No. 2 on page 4 of the Petition, which quotes specific language of McCullough not refuted in the respondents' brief. The footnote clearly indicates that the deposition in question was not before the Court of Appeals. It is respectfully submitted, however, that the footnote merely confirms what is evident in the record for the reasons that:

A. The McCulloughs, in their separate and distinct Paragraph 14 of the Complaint (page 16 of Respondents' Brief), aver:

> "Defendant is in default to McCullough's Dairy Queen *under the said contract* 'Exhibit A' in excess of $60,000.00"; (Emphasis supplied)

and

B. In the Memorandum and Order of Judge Wood (page 29 of Respondents' Brief) Judge Wood said:

> "Incidental to this relief, the Complaint also *demands the $60,000.00 now allegedly due and owing plaintiffs under the aforesaid contract.*" (Emphasis supplied)

C. The prayer in the Complaint is to the same effect (page 18 of Respondents' Brief):

> "B. Ordering an accounting to determine the exact *amount of money owing by defendant* to McCullough's Dairy Queen and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount." (Emphasis supplied)

3. Petitioner is criticized for the inaccurate transcription of Judge Wood's Opinion (page 2 of Respondents' Brief). It is regrettable that this error occurred, but it

is respectfully submitted that in spite of what was mechanical error there was no change in transmitting the thought expressed by Judge Wood that he might submit to a jury the question of the amount of damages. This question, it is respectfully submitted, is not involved in the issue raised by the Petition for Certiorari.

In conclusion, it might be suggested that McCulloughs' position could be clarified beyond question if they would accept the suggestion heretofore made that there be filed with the Court an amendment to their Complaint omitting their claim for the balance allegedly due under the agreement of October 18, 1949.

Appendix A to the Respondents' Brief was printed by agreement between respective counsel. However, plaintiffs' counsel inadvertently omitted Exhibit "A" to the Complaint, which is the agreement of October 18, 1949. It is printed herein as Appendix D.

Respectfully submitted,

DONALD M. BOWMAN, ESQ.
Attorney for Petitioner

Exhibit A

January 10, 1961

Mark D. Alspach, Esq.
21 S. 12th Street
Philadelphia 7, Penna.

Re: McCULLOUGH *v.* DAIRY QUEEN, INC.

Dear Mark:

As a result of our frank discussion this morning, we appear to be in accord on the following:

A. That the appeal to the Court of Appeals postpones the need for filing an Answer until after the appeal has been disposed of.

B. Nevertheless, if it should be found convenient, an Answer or responsive pleading may be filed.

C. In the event this is done, the Answer shall not be pertinent or relevant to the appeal now pending.

D. In the same way, we shall postpone the taking of depositions until the appeal is disposed of.

With kindest regards, I am

Sincerely yours,

MICHAEL H. EGNAL
ee

Exhibit B

KRUSEN EVANS AND SHAW
21 South Twelfth Street
Philadelphia 7, Pa.

January 23, 1961

McCULLOUGH ET AL. vs. DAIRY QUEEN, INC.

Michael H. Egnal, Esquire
Suite 600 Bankers Securities Bldg.
Philadelphia 7, Pennsylvania

Dear Mr. Egnal:

I regret that the press of certain other matters has prevented my responding to your letter of January 10,1961, at an earlier date.

In view of your having reduced to writing your understanding of the thoughts we had previously exchanged, I find it necessary to state my own understanding of what we discussed.

In the first place, everything I said was understood to have been said without benefit of, or prior necessity for any research. I emphasized that the thoughts I expressed were purely "off the cuff" and were to be so received. I hardly felt it necessary to add that if later developments required or permitted further study of the subjects on my part leading to a different conclusion, I would not be bound by my preliminary ideas; I had assumed that this was understood.

In any event, I tried, but apparently failed to make it clear that I considered the several points mentioned in your letter of January 10, 1961, as primarily matters of law. I also stated that, this being the case, I felt it useless, perhaps presumptuous for any stipulation or agreement

to be reached on these subjects. My expressed feeling was that whatever the cases, and the rules provided or required would be the criterion and that it was not the function or province of counsel to agree to something different.

I did say, and confirm, that, should you decide to file an answer to the complaint at this time, we would not move to strike it on the ground that it had not been filed within twenty days of service pf the complaint. However, I emphasized that it was up to you to decide rather quickly whether an answer should be filed now, and that my position as stated was not to be construed as an indefinite and continuing indulgence in the event your answer is actually due.

To sum it all up, whatever the law is on the points you mentioned, it is, and we shall proceed accordingly. Should the law permit us, and we find it necessary to take any further proceedings of any sort, at any time which we deem necessary in the protection of our clients' interests, we have made no agreement to the contrary.

Sincerely yours,

KRUSEN, EVANS & SHAW
By: s/ MARK D. ALSPACH

Exhibit C

February 6, 1961

Mark D. Alspach, Esq.
21 S. 12th Street
Philadelphia 7, Penna.

Re: McCULLOUGH ET AL. *v.* DAIRY QUEEN, INC.

Dear Mark:

Copy of letter which this day went to the International Printing Co. with reference to the record in the indicated matter is herewith enclosed and acquaints you with the matter that has been ordered printed.

You may note further that Wallace and I have concluded that we will file an Answer to the Complaint and proceed to take the depositions of both McCulloughs. In order to accommodate them as much as possible, would you be good enough to ascertain now when it would be convenient for them to appear in Philadelphia. In this connection I would like to get the specific weeks in which arrangements may be made. May I suggest as an outside date no later than the first week in March.

With kindest regards, I am

Sincerely yours,

MICHAEL H. EGNAL

ee
enclosure
cc: Mr. Carl C. Mohler
Mr. Dean T. Mohler
Mr. Theodore Suppiee
Wallace D. Newcomb, Esq.

Appendix D

FREEZER AND TERRITORY AGREEMENT

This agreement entered into at Moline, Illinois, this 18th day of October, 1949, by and between

H. A. McCULLOUGH *acting for*
H. A. McCULLOUGH, H. F. McCULLOUGH AND J. F. McCULLOUGH UNDER THE NAME AND STYLE OF McCULLOUGHS DAIRY QUEEN

of the City of Geneseo, County of Henry and the State of Illinois, hereinafter referred to as First Party; and

BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY AND HOWARD DALE
UNDER THE NAME AND STYLE OF DAIRY QUEEN OF PENNSYLVANIA

of the City of St. Paul, County of Ramsey, and the State of Minnesota, hereinafter referred to as Second Party,

WITNESSETH

WHEREAS, First Party has on file with the Department of State of the State of Pennsylvania, the trade-mark "Dairy Queen" as afforded by such registration, which name shall be used only for a frozen dairy product (known as Dairy Queen) within the State of Pennsylvania.

WHEREAS, the Patent on the Freezing and Dispensing Machine is owned by the Ar-Tik Systems, Inc. of Miami, Florida; Patent Number is 2080971; the rights to manufacture, use, sell, and/or Sub-contract to other parties under said Patent, were granted to H. A. McCullough by the Ar-Tik Systems, Inc.

WHEREAS, Second Party desires to acquire from First Party rights to develop certain portions of the State of Pennsylvania and rights to use machines manufactured under Patent Number 2080971, and certain rights to the use of the trade-mark "Dairy Queen" within said certain portions of the State of Pennsylvania as hereinafter provided.

NOW THEREFORE, Second Party being fully advised in the premises hereby offers and upon acceptance hereof by First Party, hereby agrees to do the following:

1. Exclude from this agreement certain areas of Pennsylvania heretofore contracted by First Party to others: County of Allegheny and Cities of Greensburg, Uniontown, Washington, Pottstown, Phoenixville, Bethlehem, West Chester, Coatsville, Norristown, Chester, Reading, Allentown, Easton, and the customary adjacent areas thereto under and for fair trade and competition purposes; and such exclusions shall be recognized throughout this agreement even though, for convenience and brevity, the full name, Pennsylvania, may be used.

2. Take over and conduct the operations of development of the said certain portions of Pennsylvania on October 18, 1949 and thereafter, all at the sole cost, risk, and expense of Second Party.

3. Pay direct, or cause to be paid direct, to Ar-Tik Systems, Inc., 1801 NW 17th Avenue, Miami, Florida, the sum of four cents a gallon on all mix used or sold through any and all Dairy Queen Stores and/or said Freezing and Dispensing Machines operated in Pennsylvania by Second Party and/or their Sub-contractors, from the beginning of operations hereof, in the nature of a royalty regardless of the expiration of patent on said machines. Said payment shall be computed at the end of each month's operation for the total number of gallons of mixes used, and remitted by

the tenth day of the following month. Where powdered or concentrated mixes are used, the payment per gallon shall be based upon their equivalent in liquid mix.

4. Pay direct to McCulloughs Dairy Queen, (name adopted by First Party), successors or assigns, at his office the sum of One Hundred Fifty Thousand and No/100 Dollars ($150,000.00) in cash as follows:

(a) $1,000.00 cash, at once.

(b) $149,000.00 Balance, as soon as possible but payable in not less than the amounts as follows:

1—50% forthwith of all amounts of sales of franchises or Territorial rights made by Second Party under contracts sold by Second Party, and in addition, 50% of the sale value of all said franchise or territorial rights used by Second Party.

2—The aggregate total amount paid to First Party by Second Party under Subsection 1 above, and this Subsection 2 shall be not less than the amount of $18,625.00 in the year ending October 15, 1950, and in each year ending on October 15th thereafter, until the said total amount of $149,000.00 has been fully paid to First Party as provided under this section (b) of paragraph 4.

5. Conform and maintain all store operations, in manner and to extent acceptable by First Party or his agents, in sole discretion and opinion of First Party, to the methods and ethics of other Dairy Queen operators and the general provisions of agreements now in force in other States. Included, not by way of limitation, among the said methods are the keeping of records of all mixes used or sold, furnishing to First Party the name and address of each mix supplier, keeping records of the serial numbers and locations of all machines within the State of Pennsylvania; submitting mix reports to First Party and to Ar-Tik Systems, Inc.,

showing the serial numbers and locations of the machines covered by said reports. Permit free access of First Party, Ar-Tik Systems, Inc., or any person representing them, to such records for the purpose of determining full compliance with the terms of this agreement.

6. Keep and maintain First Party as a free independent contractor having no partnership or similar interest in the business or operations of Second Party or others, and free and harmmless from any and all liability therefrom, including, not by way of limitation, public liability, misdemeanors, legal suits, both domestic and commercial, tax liens of any kind or nature, that Second Party may be liable for.

7. That the Second Party or any others, shall not sell or offer for sale any other frozen or semi-frozen dairy product, use any other type or make of freezer, or sell any of the said machines, move any of the said machines purchased through First Party outside of the State of Pennsylvania for the purpose of operating them, without first obtaining the written consent and approval of the First Party. That two copies of each sub-contract shall be forwarded to the office of First Party within ten days after it is completed and signed.

8. That Second Party shall order through First Party all of said machines needed for said development, at the manufacturers selling price f.o.b. factory. Said prices may vary from time to time dependent upon costs of material and labor. First Party does not guarantee prices, delivery dates, or furnish parts or labor free of charge on the said machines. Second Party shall take up with manufacturer the matter of any necessary adjustments for unsatisfactory or defective parts or machines. First Party or Second Party shall not be required to assume responsibility for defending Patent Number 2080971, as such defense is an obligation of Ar-Tik Systems, Inc.

9. Admit that failure of Second Party to make the payments promptly as required herein and/or any other breach of any of the provisions of this agreement, and declared to Second Party by First Party by thirty days written notice mailed to last known address of Second Party, shall cause any rights of Second Party hereunder to cease and become null and void within said thirty day period, unless default is corrected. It is further understood and agreed that in event this contract is terminated under conditions above described, that rights to all undeveloped territory in the State of Pennsylvaina will revert to First Party and balance of any monies due First Party from the sale of sub-franchises by the Second Party, as herein provided, will remain due and payable to them.

10. That the rights hereunder are granted to the Second Party solely for convenience of the First Party in the development of the Pennsylvania territory and that title to said territory, nevertheless, remains vested with the First Party until released in part under contracts sold by Second Party, but subject, nevertheless, to the terms of this agreement; that performance by the Second Party hereunder shall be satisfactory to First Party in all respects; that the right to use the trade-mark "Dairy Queen" in the State of Pennsylvania is reserved to the First Party except as specifically granted by First Party in separate agreements. First Party shall have the irrevocable power and right to pledge, assign, sell, or otherwise transfer his rights under this agreement over to others with or without notice to Second Party.

11. That the Second Party will have the right to subdivide the State of Pennsylvania, for the purposes of this agreement, from time to time among sub-contractors. Second Party represents that it is possessed of the abilities, knowledge, training, and other requisites for the prompt, continuous, and business-like development of the said territory to the end that full payment shall be made to First

Party hereunder and in accordance with the understanding that time is the essence of this contract and agreement for the express purpose of paying in full the amount owing hereunder the First Party. However, if conditions arise that are beyond the control of the Second Party, such as a major war involving the USA, sickness, or disability, then adjustments or amendments between the parties hereto shall be made to recognize such conditions considered necessary.

12. That the maximum charge to all operators within the State of Pennsylvains for the rights to operate Dairy Queen Machines shall not exceed 29¢ a gallon on all of the mixes used or sold by them, unless and until First Party shall approve a higher charge per gallon.

First Party hereby accepts offer made by Second Party by execution of this agreement and

1. In consideration of $1.00 and other good and valuable considerations, in hand paid each to the other, and the mutual promises herein contained, First Party does hereby:

(a) Convey, transfer, grant, bargain, and sell, for the purposes of this agreement, unto Second Party, the following:

I.

An exclusive right to develop the certain territory of the State of Pennsylvania for the restricted conduct of the operation of Dairy Queen Stores, subject to the provisions of offer of Second Party as contained herein.

This agreement shall be binding upon the legal representatives, heirs, and beneficiaries, successors and assigns of the parties hereto.

If any provision of this agreement or the application thereof to any person or circumstances is held invalid, the remainder of this agreement and application of such pro-

vision to other persons or circumstances shall not be affected thereby.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals, to this instrument on this 18th day of October 1949 at Moline, Illinois.

McCULLOUGH'S DAIRY QUEEN

/s/ H. A. McCULLOUGH
H. A. McCullough
/s/ H. F. McCULLOUGH
H. F. McCullough

DAIRY QUEEN OF PENNSYLVANIA

/s/ BURTON F. MYERS
Burton F. Myers
/s/ M. E. MONTGOMERY
M. E. Montgomery
/s/ ROBERT J. RYDEEN
Robert J. Rydeen
/s/ HOWARD DALE
Howard Dale

FILE COPY

IN THE

Supreme Court of the United States

October Term, 1961

No. 244

DAIRY QUEEN, INC.,
Petitioner

vs.

THE HON. HAROLD K. WOOD, *Judge*, ET AL.
Respondent

On Writ of Certiorari to the United States Court of Appeals for the Third Circuit.

BRIEF FOR THE PETITIONER

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Respondent

BRIEF FOR THE PETITIONER

Opinions Below

The Order of the Court of Appeals is not yet officially reported. There was no opinion. The Opinion of the District Court of the Eastern District of Pennsylvania is reported in 194 F. Supp. 686 (1961 D.C., E.D. Pa.). The Orders and the District Court Opinion are printed in the Transcript of Record (R. 34-37; R. 53-54).

Jurisdiction

The Order of the Court of Appeals denying the Petition for Writ of Mandamus was entered on June 22, 1961. The Petition for Writ of Certiorari was filed on July 21, 1961, and was allowed on October 16, 1961. The jurisdiction

of this Court is invoked under Title 28, U.S.C., Section 1254 (1).

Statutes Involved

Statutes involved are 28 U.S.C. 1254 (1); the Seventh Amendment to the Constitution of the United States; Act of June 19, 1934, 48 Stat. 1064, 28 U.S.C. 723C; Act of June 25, 1948, as amended, 62 Stat. 961, 28 U.S.C. 2072; Federal Rule of Civil Procedure 38(a). Pertinent provisions of the above appear at pages 14, 15 infra.

The Question Presented

Where a complaint asserts a legal cause of action and an equitable cause of action, may a Court deny a timely demand for jury trial where plaintiff has alleged, as the basis of both causes of action, the omission of defendant to pay a sum due under a written contract and this is a common substantial question of fact which will determine both the legal and equitable causes of action?

Statement

This action was commenced in the United States District Court for the Eastern District of Pennsylvania on November 21, 1960, by McCullough and others.[1]

A. Jurisdiction

The jurisdiction of the District Court was founded on diversity of citizenship of the parties and on an allegation of an amount in controversy exceeding the sum of $10,000. (Par. 3 of the Complaint, R. 10).

---

[1] The plaintiffs in this case are H. A. McCullough and H. F. McCullough, a partnership doing business as "McCullough's Dairy Queen". They are the real parties in interest and are herein called "McCullough". The second-named plaintiffs are recited as Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Executrix of the Estate of Howard S. Dale, Deceased.

B. THE COMPLAINT

The Complaint of McCullough made, inter alia, the following allegations (R. 9-17):

1. McCullough and others originated the name "Dairy Queen". On January 2, 1947 McCullough registered the Trademark "DAIRY QUEEN" in Pennsylvania for a frozen dairy product, which registration is current (R. 10).

2. By written agreement dated October 18, 1949, herein called Territory Agreement, McCullough granted to the other plaintiffs a franchise for the exclusive right to use the trademark in certain portions of Pennsylvania, and as a result of intervening documents Petitioner, on December 23, 1949, obtained the rights and obligations of the said Territory Agreement. (A copy of said Territory Agreement is attached to the Complaint.) (R. 20-28)

3. In the Territory Agreement Petitioner agreed to pay the sum of $150,000 with a small initial payment, the remaining payments to be made at fifty percent of all amounts on sales or use of franchises, the $150,000 payment to be completed within a certain period of time by annual minimum payments. The contract provided, inter alia:

> "2—The aggregate total amount paid to First Party by Second Party under Subsection 1 above, and this Subsection 2 shall be not less than the amount of $18,625.00 in the year ending October 15, 1950, and in each year ending on October 15th thereafter, until the said total amount of $149,000.00 has been fully paid to First Party as provided under this section (b) of paragraph 4." (R. 22)

4. Petitioner "for a number of years" has ceased paying the aforesaid 50% of the value of all franchises sold or used as required in the contract, as well as the annual minimum payments specified in the contract (R. 13).

5. Defendant (Petitioner) is in *default* to McCullough under the said contract in excess of $60,000 (R. 13). (Emphasis supplied throughout.)

6. On August 26, 1960, McCullough notified Petitioner by letter (copy of which is attached to the Complaint as Exhibit C) that its failure to pay the amounts required in its contract with McCullough constituted a "material breach" of that contract and "that unless this material breach is completely satisfied for *the amount due and owing*, your franchise for 'Dairy Queen' in Pennsylvania is hereby cancelled." (R. 27, 28)

7. There were three separate prayers for relief (R. 15-16):

(a) An injunction to restrain Petitioner from using or licensing others to use in any wise or manner the name, "Dairy Queen".

(b) "Ordering an accounting to determine the exact amount of money owing by defendant to McCullough's Dairy Queen, and *thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount.*"[2]

(c) An injunction to restrain Petitioner from collecting sums payable to it in the conduct of its Dairy Queen franchise and requiring the said sums to be paid into the registry of the Court.

C. PETITIONER'S ANSWER WITH DEMAND FOR JURY TRIAL

1. On March 1, 1961, Petitioner filed its Answer.

2. Petitioner demanded, by inclusion in its Answer and endorsement thereon, a jury trial (R. 32).

---

[2] Plaintiffs, Myers, Rydeen, Montgomery & Dale, in their prayer seek an accounting for "monies due and owing" McCullough (R. 16-17).

3. Petitioner's Answer alleged the following defenses:

(a) On or about January of 1955, the parties had entered into an oral agreement modifying the manner in which the balance of the total consideration of $150,000 was to be paid, in that, effective October 15, 1954, the obligation of Petitioner to make the aggregate annual payment of $18,625. was no longer required but thereafter Petitioner would pay McCullough fifty percent of the proceeds received from the sale of sublicenses made under the said agreement. It was further alleged that thereafter over a period of five years Petitioner made and McCullough received the payments required under the said oral arrangement and modification agreement (R. 31-32).

(b) McCullough was barred from the relief prayed for by virtue of misuse of the "Dairy Queen" trademark in which was included McCullough's conspiracy with others throughout the United States to extend the payment of royalties for the use of a patented freezer which had been licensed under the said Territory Agreement of October 18, 1949, beyond the expiration date of the said patent; and by compelling Petitioner to use no other freezer but the patented freezer and to purchase it solely through McCullough; and by conspiring with the designated manufacturers of the freezer so that sales would be made only to those who acquired a franchise from McCullough for use of the "Dairy Queen" trade name licensed by McCullough. (R. 30-31).

(c) McCullough was barred from the relief prayed for by virtue of violations of the antitrust laws of the United States. (R. 31)

(d) McCullough was barred by laches from asserting the alleged default (R. 31).

(e) McCullough was estopped from any equitable relief because it had knowledge of the alleged breach on October 10, 1954, and permitted Petitioner to spend upward

of $300,000 in further development of the franchise territory thereafter (R. 31).

D. McCULLOUGH'S MOTION TO STRIKE PETITIONER'S JURY DEMAND

1. On March 9, 1961, McCullough caused to be filed in the District Court a Motion to Strike the Petitioner's Demand for a Trial by Jury and relied, *inter alia*, upon the following reason sustained by the Court below:

> "In any event, the issues herein are not triable of right by a jury. Hence, under Rule 38, defendant is not entitled to a jury trial with respect thereto." (R. 33)

E. THE HONORABLE HAROLD K. WOOD'S OPINION AND ORDER

1. On June 1, 1961, Judge Wood filed an Opinion and Order granting McCullough's Motion to Strike the demand for trial by jury and ordering the action to be heard on the merits by the Court sitting without a jury. The grounds stated were, in essence, that: (R. 36-37)

> "As we analyze the issues raised by the complaint and the answer, the nature of plaintiffs' case is purely equitable" either as:
>
> (a) ". . . a claim for relief for infringement of a trademark" . . .
>
> (b) ". . . a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark 'Dairy Queen' in Pennsylvania . . ."
>
> (c) ". . . a claim to injunctive relief coupled with an incidental claim for damages . . ."

Judge Wood also stated in his Opinion:

"Incidental to this relief, the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract." (R. 36)

"... if a complaint sought damages for breach of contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues." (R. 35).

F. PETITION FOR WRIT OF MANDAMUS

1. On the 12th day of June, 1961, Petitioner filed a Petition for Writ of Mandamus directed against the Honorable Harold K. Wood, Judge of the United States District Court for the Eastern District of Pennsylvania. In this Petition, Petitioner set forth the above-mentioned facts and contended, inter alia, that the Respondent's Order Striking Petitioner's Demand for a Jury Trial and his Order designating a trial of the cause without jury unlawfully deprived Petitioner of its right to jury trial under the 7th Amendment to the Constitution of the United States (R. 1-9).

2. On June 22, 1961, the Circuit Court of Appeals for the Third Circuit (Goodrich, *J.*), without opinion, denied the Petition for a Writ of Mandamus (R. 53-54).

G. ORDER FOR TRIAL WITHOUT JURY

On June 28, 1961, Judge Wood ordered that the instant action be tried on August 1, 1961, without a jury, which order was stayed by Mr. Justice Brennan on July 31, 1961.

Argument

1. McCullough, in a single action, asserts a claim for $60,000. allegedly due under a written contract [3] and, at

[3] "... the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract." (R. 36, District Court Opinion)

the same time, seeks equitable relief because of the non-payment thereof. He also seeks to deny defendant a trial by jury.

The Honorable Judge Wood, while conceding that a complaint seeking damages for breach of a contract would present a legal issue and entitle either plaintiff or defendant to a jury trial,[4] and while specifically acknowledging the existence of plaintiff's claim for money alleged to be due under the contract,[5] terms it "incidental damages" and considers it subordinate to the equitable relief sought. This action for debt is given no status of its own. The question of the right to jury trial was thus decided by reference to the complaint read as a whole. The Court then determined the legal action was enveloped in the prayer for equitable relief and the nature of the plaintiff's case was purely equitable (R. 36). The ultimate Order of the District Court striking defendant's demand for jury trial was thus based on an evaluation and balancing of the legal and equitable causes of action to arrive at a conclusion as to the basic nature of the case. The Order denying trial by jury was not based on a determination of whether the case presents a legal issue, but rather on a determination that the equity issue was primary and the legal issue was incidental to it.

2. The right to jury trial is a constitutional one. This right is further protected by the Federal Rules of Civil Procedure, Rule 38(a) in the following language:

> "The right to trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate."

No similar requirements protect trials by the court and, therefore, the court's "discretion is very narrowly

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[4] "For example, if a complaint sought damages for breach of contract the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues." (R. 35, District Court Opinion)

[5] See footnote 3, *supra*.

limited and must, wherever possible, be exercised to preserve jury trial". *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 510; 79 S.Ct. 948; 3 L.Ed. 2d 988 (1959). Your Honorable Court has indicated the right to a trial by jury cannot be impaired by joining a demand for equitable relief with a claim properly cognizable at law.[6] This is particularly true where, as in the case *sub judice*, joinder has been made of coördinate equitable and legal causes of action involving a common, controlling issue of fact as to which there would normally be a right to a trial by jury. Thus, the right to a trial by jury with regard to a claim properly cognizable at law which has been joined with a demand for equitable relief has been sustained when sought by the plaintiff,[7] or the defendant,[8] or on a counterclaim.[9]

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[6] *Beacon Theatres, Inc. v. Westover*, supra; *Ex Parte Simons*, 247 U. S. 231 (1918); *Scott v. Neely*, 140 U. S. 106 (1891).

[7] *Bruckman v. Hollzer*, 9 Cir. 1946, 152 F. 2d 730. Here, the Circuit Court held that, where a complaint in separate paragraphs alleges causes of action for damages for copyright infringement and also for equitable relief by way of an accounting and injunction, each of the latter of which also involve the issue of infringement, the parties are entitled to a trial by jury with regard to the common law issues prior to a decision on the equitable aspects of the case.

In *Ring v. Spina*, 2 Cir. 1948, 166 F. 2d 546, an anti-trust case, the Circuit Court rejected the argument that the joinder of legal and equitable claims in the same action resulted in a waiver of the right to a jury trial.

[8] *Leimer v .Woods*, 8 Cir. 1952, 196 F. 2d 828. In this case the Court held in an action involving joined or consolidated equitable and legal causes, and a common substantial question of fact, a Federal Court could not, under the Rules of Civil Procedure and the Seventh Amendment, deprive defendant of a properly demanded jury trial upon that question.

[9] *Thermo-Stitch, Inc. v. Chemi-Cord Processing Corp. et al.*, 5 Cir. 1961, 294 F. 2d 486. Here, the plaintiff sought injunctive relief and a declaratory judgment. Defendant counterclaimed for damages for patent infringement, fraud and anti-trust violations and demanded a jury trial upon the issues of fact raised by the counterclaim. The Circuit Court held that the jury trial should be held before the equitable questions were decided.

The *Beacon Theatres* case, supra, and the *Thermo-Stitch* case, supra, have ended the earlier practice of resting decisions as to the right to a jury trial on the tenuous ground of "the basic nature of the case taken as a whole." [10] Under this earlier test the constitutional right to trial by jury was in danger of being lost forever in cases involving both legal and equitable issues. It now appears either party is entitled to a trial by jury whether the primary aid sought by the complaint is equitable or legal, so long as a claim cognizable at law is presented by the complaint. The relative weight of the two causes is not controlling. The Court of Appeals for the Fifth Circuit in the recent case of *Thermo-Stitch, Inc. v. Chemi-Cord Processing Corp.*, supra, (p. 491) held:

> "It would make no difference if the equitable cause clearly outweighed the legal cause so that the basic issue of the case taken as a whole is equitable. As long as any legal cause is involved the jury rights it creates control. This is the teaching of Beacon Theatres, as we construe it."

Under the rule established by the *Beacon Theatres* case, McCullough's claim for $60,000. allegedly due him under the contract should entitle either party to a trial by jury. It is an action of debt, either standing alone, or combined with a prayer for equitable relief.[11] This claim for $60,000. is not one for damages incidental to the alleged breach.[12] It is a claim for payment of monies *due under the*

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[10] *Beacon Theatres, Inc. v. Westover*, supra; *Thermo-Stitch, Inc. v. Chemi-Cord Processing Corp. et al.*, supra.

[11] An action of debt is a common law action falling within the jury trial guarantee of the Seventh Amendment. *Leimer v. Woods*, supra.

[12] It is submitted that Judge Wood's use of the concept of "incidental damages" is inapplicable to the case *sub judice*. Incidental damages as used in equity imply those damages caused by the activities sought to be enjoined, and not those claims which are, themselves, the very basis for the relief sought. *Leimer v. Woods*, supra.

contract, the alleged failure to pay it being the breach itself.[12]

The right to injunctive relief in the instant case is predicated solely on the alleged breach of the contract through failure to pay the very same amounts which plaintiff seeks to recover in the legal cause of action. If Petitioner is correct in its assertion under the facts, and the jury finds there has been no breach of the contract, plaintiff cannot prevail either in law or in equity. What plaintiff seeks to do is to have the Court determine this vital fact question without benefit of a jury and effectively deny Petitioner its constitutional right to a trial by jury, since the Court's determination would be final in the legal cause of action through res adjudicata, or by collateral estoppel.[14]

3. The Circuit Court of Appeals' Order denying Petitioner a Writ of Mandamus will require Petitioner to defend itself, in an action of debt, without the right to a trial by jury. If Petitioner is denied this right to a jury trial, plaintiffs will have the Court's approval to circumvent the clear meaning of the Seventh Amendment to the United States Constitution, the Act of June 19, 1934, 48 Stat. 1064, 28 U.S.C., 723c, Act of June 25, 1948, as amended, 62 Stat. 961, 28 U.S.C. 2072, and Rule 38(a) of the Federal Rules of Civil Procedure, all of which guarantee the right to a trial by jury in suits at common law.[15]

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[12] The breach ascribed to defendant was the failure to heed the written notice of August 26, 1960, which recited defendant's "failure to pay the amounts required in your contract . . . constitutes . . . a material breach of that contract . . . unless this material breach is completely satisfied for the amount due and owing your franchise . . . is hereby cancelled." (R. 27, para. 16 of the Complaint, R. 14)

[14] *Thermo-Stitch, Inc. v. Chemi-Cord Processing Corp.*, supra.

[15] It would appear that this deprivation of a trial by jury is as prejudicial to both parties, as the Seventh Amendment is beneficial to both parties, the community and the Court itself. What was said by the Honorable Arthur Vanderbilt, former Chief Justice of the State of New Jersey, seems applicable:

"The jury is beneficial to the judge for at least two reasons. First of all, the facts of a case, both at the trial and appellate

It is submitted that the constitutional right of trial by jury will cease to exist in many instances if a plaintiff can deprive a defendant of that fundamental and cherished right by the mere expedient of joining an equitable cause of action with a legal cause of action. This is particularly true where the equitable cause of action is founded on the same allegations of fact which will determine the ultimate outcome of the legal cause of action.[16] Under the theory upheld by the Courts below, a plaintiff can deprive a defendant of a jury trial in a debt action if the plaintiff claims for payment of the debt and then asserts a claim for equitable relief which is alleged to arise from the failure to pay the debt.

In the present case the Orders of the Courts below are in conflict with the decision of this Court in the *Beacon Theatres* case, supra, and with the decision of the Fifth Circuit in the *Thermo-Stitch* case, supra. As stated by this Court in the *Beacon Theatres* case: (R. 510, 511)

> ". . . only under the most imperative circumstances, circumstances which in view of the flexible procedures of the Federal Rules we cannot now anticipate, can the right to a jury trial of legal issues be lost through prior determination of equitable claims."

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levels, are often more difficult to decide than the law of the case. Secondly and far more important, it spares him from making the harsh decisions that the sharp application of the law to the actual facts of a hard case would often require."

Arthur T. Vanderbilt, *Judges and Jurors, Their Functions, Qualifications and Selection*, Boston (1956), p. 57.

[16] The jury, of course, does not grant the relief sought; its function is "simply to answer the question so that judgment may be given." Sir Patrick Devlin, *Trial By Jury*, London (1956) p. 13. After the fact question is resolved by the jury, the Court can give such legal or equitable relief as the matter warrants.

CONCLUSION

Wherefore, Petitioner prays that the Order of the Court of Appeals Denying the Petition for Writ of Mandamus be reversed and the case be remanded to the Court of Appeals with directions to issue the Writ of Mandamus as prayed for in the Petition to the Court of Appeals.

Respectfully submitted,

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APPENDIX A

Statutes

28 U. S. C. 1254(1).

Cases in the Courts of Appeal may be reviewed by the Supreme Court by the following methods:

(1) By Writ of Certiorari granted upon Petition of any party to any civil or criminal case before or after rendition of judgment or decree.

Constitution of the United States—
Seventh Amendment.

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reëxamined in any Court of the United States, than according to the rules of the Common law.

ACT of JUNE 25, 1948, as amended, 62 Stat. 961, 28 U.S.A. 2072.

"The Supreme Court shall have the power to prescribe, by general rules, the forms of process, writs, pleadings, and motions, and the practice and procedure of the district courts of the United States in civil actions.

Such rules shall not abridge, enlarge or modify any substantive right and shall preserve the right of trial by jury as at common law and as declared by the Seventh Amendment to the Constitution . . ."

ACT of JUNE 19, 1934, 48 Stat. 1064, 28 U.S.C. 723c.

"Sec. 2. The Court may at any time unite the general rules prescribed for it for cases in equity with those in ac-

tions at law so as to secure one form of civil action and procedure for both: provided, however, that in such union of rules the right of trial by jury as at common law and declared by the Seventh Amendment to the Constitution shall be preserved to the parties inviolate. Such united rules shall not take effect until they shall have been reported to Congress by the Attorney General at the beginning of a regular session thereof and until after the close of such session."

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28 U. S. C. Federal Rules of Civil Procedure—Rule 38(a).

The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate.

IN THE

Supreme Court of the United States

October Term, 1961.

No. 244.

DAIRY QUEEN, INC.,

Petitioner,

vs.

THE HON. HAROLD K. WOOD, Judge of the United States District Court of the Eastern District of Pennsylvania, H. A. McCULLOUGH and H. F. McCULLOUGH, a partnership, doing business as McCullough's Dairy Queen, and BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, Executrix of the Estate of Howard S. Dale, Deceased, Individuals,

Respondents.

BRIEF FOR RESPONDENTS, H. A. McCULLOUGH AND H. F. McCULLOUGH, BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY AND LORRAINE DALE.

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INDEX.

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Respondents.

BRIEF FOR RESPONDENTS, H. A. McCULLOUGH AND H. F. McCULLOUGH, BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY AND LORRAINE DALE.

QUESTION PRESENTED.

Where respondents' complaint sought equitable relief for trademark infringement in the form of an injunction coupled with a prayer for an accounting, did not the District Court properly deny petitioner's demand for jury trial?

STATEMENT.

In the main, petitioner's statements with respect to the complaint, though meager, are accurate. However, petitioner omits the following statements in the complaint which are pertinent to the present issue:

(1) Respondent McCullough's Dairy Queen has licensed persons to use its trademark "Dairy Queen" throughout the United States, including the Commonwealth of Pennsylvania, and the sale of the frozen milk product under the trademark "Dairy Queen" has been under the constant supervision and control of respondent McCullough's Dairy Queen (paragraphs 5, 6 and 7, R. 10-11).

(2) Petitioner has unjustly enriched itself in not remitting sums of money to respondents (paragraph 12, R. 13).

(3) Petitioner continued to operate under the "Dairy Queen" name, collecting moneys thereunder subsequent to the cancellation of its franchise agreement, and thereby infringed respondent McCullough's Dairy Queen's trademark "Dairy Queen" (paragraph 17, R. 14).

There were three separate prayers for relief (R. 15-16) which in substance were as follows:

(1) For an injunction to restrain petitioner from using or licensing others to use respondents' trademark "Dairy Queen" or conducting any business under the "Dairy Queen" name.

(2) For an accounting to determine the amount of money owing by petitioner to respondents.

(3) For an injunction pending an accounting, requiring that moneys being collected by petitioner be paid into the registry of the District Court.

On December 28, 1960, District Judge Wood, after a hearing on respondents' motion for a preliminary injunction, made the following pertinent Findings of Fact:*

* * *

"8. The contract of October 18, 1949 (which was assigned to the defendant as stated above), authorized the defendant to conduct the operations of the development of the Dairy Queen retail outlets in a described area of Pennsylvania. The defendant acquired under the contract the right to subfranchise others to use the trade-mark 'Dairy Queen' within the described area of Pennsylvania. In return, the defendant promised to pay McCullough's Dairy Queen the minimum sum of $18,625.00 a year until the amount of $149,000.00 was fully paid as consideration for the use of the trade name.

"9. Since 1954, the defendant has not met the minimum payment required by the contract. At present, a balance in excess of $60,000 is past due and owing by the defendant to McCullough's Dairy Queen.

"10. The contract of October 18, 1949, provided that failure of the defendant to make payments promptly as required therein would cause any rights of the defendant acquired under the contract to cease and become null and void, unless the default were corrected."

* * *

"14. Subsequent to the letter cancelling the contract (see Finding Number 11), the defendant nevertheless continued to negotiate subfranchise agreements as aforesaid. Approximately five new subfranchise agreements were negotiated by the defendant in 1960.

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* Not officially reported; printed in Appendix to Respondents' Brief in Opposition to Petition for a Writ of Certiorari herein, at pp. 33-34.

"15. At present, the defendant has a list of prospective buyers for these subfranchise agreements and intends to pursue these business opportunities unless prevented from doing so by this Court.

"16. Because of the defendant's continued use of the plaintiff's trade-mark 'Dairy Queen' and the defendant's present intention to collect the profits from execution of new subfranchise agreements purporting to license others to use the name 'Dairy Queen', McCullough's Dairy Queen is suffering and will continue to suffer irreparable injury and loss."

Judge Wood at the same time made the following pertinent Conclusions of Law: *

• • •

"2. The defendant breached the contract of October 18, 1949, in failing to meet the minimum yearly payments required thereunder."

• • •

"4. McCullough's Dairy Queen had the right to and did effectively cancel the contract of October 18, 1949, by the letter of August 26, 1960.

"5. Upon cancellation of the contract of October 18, 1949, defendant's right to the use of the trademark 'Dairy Queen' ceased. All subfranchise agreements and other uses of that trademark by defendant subsequent to the cancellation of the contract constituted infringements of plaintiff McCullough's Dairy Queen's trademark.

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* Not officially reported; printed in Appendix to Respondents' Brief in Opposition to Petition for a Writ of Certiorari herein, at pp. 34-35.

"6. Defendant will continue to infringe plaintiff's trademark unless restrained by this Court. Continued use by defendant of the name 'Dairy Queen' will result in irreparable injury and loss to plaintiff McCullough's Dairy Queen, for which there is no adequate remedy at law."

* * * *

Judge Wood simultaneously entered a preliminary injunctive Order against petitioner, which was affirmed by the Court of Appeals for the Third Circuit, 290 F. 2d 871.

ARGUMENT.

At the outset, the Court's attention is invited to petitioner's statement, which infers that respondents' complaint asserts a claim for $60,000 due under a contract (brief, p. 4). Petitioner also quotes from the Opinion of District Judge Wood as follows (brief, p. 7):

> "Incidental to this relief, the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract."

Further, in its argument (brief, pp. 7-8) petitioner states "McCullough, in a single action, asserts a claim for $60,000 allegedly due under a written contract and, at the same time, seeks equitable relief because of the non-payment thereof . . .".

The fact is that nowhere does the complaint "demand" or "assert a claim" for $60,000 or any other specific sum. In material part, the complaint prays only for an accounting. The accounting sought by respondents cannot be said to relate to $60,000 or any other specific sum due and owing under the contract. For instance, it will be noted that elsewhere in the complaint it is alleged that petitioner has been unjustly enriched by the collection of certain moneys (paragraph 12; R. 13) and that petitioner has continued to infringe respondents' trademark (paragraph 17; R. 14), which themselves create accountable liabilities.

The allegation of petitioner's $60,000 default under the contract was simply to provide the necessary factual background for the allegation that petitioner had breached its agreement with respondents. It distorts and misconstrues the plain language of the complaint to say that it incorporates, inter alia, an action for debt or any other action *on the contract*. The converse is true. Respondents' right to relief arises from the fact that there is *no contract* between the parties, and has been none since its cancellation.

In petitioner's own view, its entitlement to a jury trial depends entirely upon the nature and scope of the relief demanded in the complaint. Therefore this case it not complicated by the more vexing question of injection of legal issues in the answer, by way of counterclaim or otherwise. Indeed, petitioner's answer contains no counterclaim or prayer for affirmative relief. Compare *Upjohn Co. v. Schwartz,* (S. D. N. Y., 1953) 117 F. Supp. 292.

In view of the foregoing, petitioner's reliance on *Beacon Theatres, Inc., v. Westover,* (1959) 359 U. S. 500, is misplaced. Petitioner states that this Court there held that the right to a trial by jury cannot be impaired by joining a demand for equitable relief with a claim properly cognizable at law (brief, p. 9). If this be the principle relied on, the vital flaw in petitioner's reasoning is apparent; it has assumed the conclusion. There is in the present complaint no claim "properly cognizable at law" which would support a right to jury trial.

Certainly *Beacon Theatres* did not purport to create any new rights to trial by jury; it simply preserved preexisting rights within the framework of a particular set of pleadings. This Court stated (at 359 U. S. 504):

> ". . . It follows that if Beacon would have been entitled to a jury trial in a treble damage suit against Fox it cannot be deprived of that right merely because Fox took advantage of the availability of declaratory relief to sue Beacon first. Since the right to trial by jury applies to treble damage suits under the antitrust laws and is, in fact, an essential part of the congressional plan for making competition rather than monopoly the rule of trade . . . the Sherman and Clayton Act issues on which Fox sought a declaration were essentially jury questions."

Clearly legal issues were raised by the counterclaim in *Beacon Theatres.* Insofar as the present controversy is

concerned, all that *Beacon Theatres* decided was that a defendant could not be deprived of the right to jury trial on the legal issues involved in its counterclaim merely because the plaintiff had anticipatorily sued first for equitable relief under the Declaratory Judgment Act. There is no counterclaim here, nor is any legal issue presented by the complaint. Thus *Beacon Theatres* is plainly inapplicable.

The additional authorities relied on by petitioner are equally inapposite. *Thermo-Stitch, Inc. v. Chemi-Cord Processing Corp.*, (C. A. 5, 1961) 294 F. 2d 486, involved a complaint for an injunction and for a declaratory judgment that the patents held by defendant were invalid and not infringed. Defendant counterclaimed for damages for patent infringement, fraud and antitrust violations and demanded jury trial on the issues of fact raised in the counterclaims. Defendant was held entitled to jury trial on the ground that the legal causes involved were controlling (at 294 F. 2d 491). The present case is clearly distinguishable.

Nor is there any conflict between the decision below and the decision of the Eighth Circuit in *Leimer v. Woods*, (1952) 196 F. 2d 828; the Ninth Circuit in *Bruckman v. Hollzer*, (1946) 152 F. 2d 730, or the Second Circuit in *Ring v. Spina*, (1948) 166 F. 2d 546.

In *Leimer v. Woods*, a right to jury trial was held to exist under the Emergency Price Control and the Housing and Rent statutes. In *Bruckman v. Hollzer*, it was held that the right to jury trial existed in a cause of action for damages for copyright infringement, where the complaint incidentally contained a cause of action for equitable relief by way of accounting and injunction. In *Ring v. Spina*, a claim for damages for violation of the antitrust laws was held triable by jury on timely demand.

The common denominator which distinguishes the foregoing cases relied on by petitioner from the present case is that in the former, a purely legal issue was framed by the pleadings in each instance. No legal issue is presented in the present complaint.

Even if anything resembling a "legal" issue were perceived to arise during the adjudication of the present suit, that would not automatically create entitlement to a jury trial. Certainly *Beacon Theatres* has not completely swept into discard the "incidental relief" or "cleanup" doctrine which has always permitted the Chancellor to resolve legal issues which are purely incidental to the main equitable relief sought. It does not appear that *Beacon Theatres* has overruled the many decisions expounding this principle, such as *Camp v. Boyd*, 229 U. S. 530, 552; *McGowan v. Parish*, 237 U. S. 285, 296 and *Greene v. Louisville & I. R. Co.*, 244 U. S. 499, 520. Recently this principle was invoked by the Court of Appeals for the First Circuit in sustaining trial to the Court of an equitable cause of action, even though such trial might preclude jury determination of an overlapping issue in a pending legal cause of action: *Chappell & Co. v. Palermo Cafe Co.*, (C. A. 1, 1957) 249 F. 2d 77. To the same effect is *Crane Company v. Crane*, (N. D. Georgia, 1957) 157 F. Supp. 293.

In the last analysis, it appears that the issue which petitioner wants tried to a jury is whether there was a breach of the contract here involved. In petitioner's view, this issue underlies the entire case (brief, p. 11).

We may concede that there exists, under the pleadings, a question of fact as to whether petitioner breached its contract with respondents, but this does not of itself create a "legal issue", triable of right by a jury. Moreover, by reference to petitioner's statement (brief, p. 5) it is clear that petitioner's denial of breach of the contract rests upon an alleged reformation of the contract; petitioner alleges that it has complied with the contract as reformed. Thus the fact question which petitioner regards as "vital" is essentially the issue of reformation.

An action to reform a written instrument is exclusively equitable, hence a claim for reformation under the Federal Rules is triable to the Court. No distinction exists between reforming an instrument as a basis of suit, and reforming

it for the assertion of a defense. All of the issues stemming from alleged reformation of a contract, including damages, are for the Court. 5 *Moore's Federal Practice* (2nd Edition), paragraph 38.22, pp. 182-183; see also *City of Morgantown, W. Va. v. Royal Ins. Co.*, (C. A. 4, 1948) 169 F. 2d 713, 714, aff'd on other grounds 337 U. S. 254; and *Maryland Casualty Co. v. United States*, (C. A. 8, 1948) 169 F. 2d 102, 113.

Finally, it must be noted that even if petitioner were correct in its assertion that the complaint incorporates a claim for damages for breach of contract, petitioner has not been harmed by the decision below. The District Court expressly stated in its Opinion (R. 37):

> ". . . However, we reserve judgment on the advisability of the submission to a jury of the question of the amount of damages, if any, due plaintiffs. At the final hearing on the merits, according to the development of the evidence, we may submit that question to a jury."

Thus the District Court has reserved for itself the exercise of its discretionary powers as provided in Rule 42(b) of the Federal Rules of Civil Procedure. No attempt has been made to demonstrate in what respect petitioner will be or may be harmed by the procedure contemplated in the decision below.

CONCLUSION.

For all of the foregoing reasons, respondents urge that the Order of the Court of Appeals for the Third Circuit denying the petition for a writ of mandamus be affirmed.

Respectfully submitted,

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MARK D. ALSPACH,
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IN THE

Supreme Court of the United States

October Term, 1961
No. 344

DAIRY QUEEN, INC.,
Petitioner

vs.

THE HON. HAROLD K. WOOD, *Judge of the United States District Court of the Eastern District of Pennsylvania et al.,*
Respondents

PETITIONER'S REPLY BRIEF

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TABLE OF CITATIONS

IN THE

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October Term, 1961
No. 244

DAIRY QUEEN, INC.,
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Respondents

REPLY BRIEF OF PETITIONER

Respondents, by arguing "no legal issue is presented in the present Complaint" (Brief, page 8), seek to avoid the consequences of the general principle that a right to a trial by jury cannot be impaired by joining a demand for equitable relief with a claim properly cognizable at law.

In an effort to accomplish this they repudiate the conclusion of the District Court Judge, edit their relevant prayer for relief, overlook the additional prayers for relief which were asserted on behalf of the second named plaintiffs, improperly characterize the petitioner's defense as an alleged reformation of the contract, and fall back for their record on excerpts from the findings of the District Court Judge made after a hearing on a motion for preliminary injunction substantially denied (infra. p. 4).

1. In answer to Judge Wood's unequivocal conclusion (R. 36):

> "Incidental to this relief, the Complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract."

the respondents say (Brief, page 6):

> "The fact is that nowhere does the Complaint 'demand' or 'assert a claim' for $60,000 or any other specific sum."

Respondents' statements (Brief, page 10) seem less positive, when they say:

> ". . . even if petitioner were correct in its assertion that the Complaint incorporates a claim for *damages for breach of contract* petitioner is not harmed by the decision below." (Emphasis supplied.)

because, respondents continue, the District Court Judge stated:

> "However, we reserve judgment on the advisability of the submission to a jury of the question of the amount of damages, if any, due plaintiff."

Continuing, the respondents say (Brief, page 6):

> "In material part, the Complaint prays only for an accounting."

To support this conclusion the respondents rely on an abbreviation of one of their prayers for relief (brief, page 2), which is edited as:

> "(2) For an accounting to determine the amount of money owing by petitioner to respondents."

overlooking the complete version of this prayer as it appears in the Complaint (R. 15) (italics indicate omissions):

> "(B) Ordering an accounting to determine the *exact* amount of money owing defendant to McCullough's Dairy Queen, *and thereafter entering judgment*

in favor of McCullough's Dairy Queen and against defendant in such amount;"

The respondents appear to rely heavily on their use of words which are common to equity jurisprudence. They overlook Judge Wood's statement (R. 35): "the form of relief sought by the plaintiff is not necessarily determinative of the question of the defendant's right to a jury trial", *Shaffer v. Coty, Inc.*, (S.D. Cal. 1960) 183 F. Supp. 662, 668. Where, however, the plaintiffs include in their Complaint clear demands for a recovery based on a legal cause of action, escape from the effect thereof should not be available.

In paragraph 20 of the Complaint (R. 16), the second named plaintiffs averred:

> "By reason of defendant's default under 'Exhibit A', plaintiffs Myers, Rydeen, Montgomery and Dale are liable to McCullough's Dairy Queen in the event that *defendant cannot meet the obligations imposed upon it by 'Exhibit A';* and defendant will then also be liable to plaintiffs Myers, Rydeen, Montgomery and Dale, in the *same amount.*" (Emphasis supplied.)

and in their prayer in paragraph 23 (R. 16 and 17):

> "By reason of all of the foregoing, the business interests of plaintiffs Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale under the aforesaid contracts are threatened with immediate and irreparable damage and loss, and will be so threatened, as to all of which plaintiffs Myers, Rydeen, Montgomery and Dale have no adequate remedy at law, unless defendant is removed as the authorized Dairy Queen operator; *is made to account for monies due and owing McCullough's Dairy Queen* and plaintiffs Myers, Rydeen, Montgomery and Dale; *and* is required to pay and/or compel payment of any *future royalties* received into the registry of this Honorable Court." (Emphasis supplied.)

Nevertheless, at page 9 of their brief, there is recognition that the controversy could involve a legal cause of action. Here the respondents say:

> "Even if anything resembling a 'legal' issue were perceived to arise during the adjudication of the present suit, that would not automatically create entitlement to a jury trial."

This appears to be a return to the basis for the Order of Judge Wood. It is the contention that where the issues are both legal and equitable, the District Court Judge has the right to evaluate the same and characterize the proceeding with the issue which he concludes is the dominant one.

2. Respondents summon to their aid selected findings which were made by Judge Wood following a hearing on respondents' motion for a preliminary injunction. These findings are not only not officially reported but, it is respectfully submitted, have exhausted their function and have no bearing in the disposition of the controversy on the merits as it will be finally determined. *Hamilton Watch Co. v. Benrus Watch Co.*, 206 F. 2d 738 (2d Cir.) (1953). *B. W. Photo Utilities v. Republic Molding Corporation*, 280 F. 2d 806 (9th Cir.) (1960). Moreover, it might be noted that the relief sought in the Complaint was not granted except for one item which was subjected to administrative detail. The Order made in that hearing was as follows:

> "And now, to wit, this 28th day of December, 1960, the defendant, Dairy Queen, Inc., and its agents are hereby enjoined from executing any 'Dairy Queen' franchise or subfranchise agreements unless such agreements have the written approval of the plaintiffs or of this Court. In all other respects, the plaintiffs' motion for a preliminary injunction is hereby DENIED."

3. For the first time in this litigation the respondents, at page 9 of their brief, are now asserting petitioner is

seeking a reformation of the original contract and, inasmuch as this is an equitable remedy, there is no place for a jury trial in order to determine this defense.[1] This is a departure from the previous contention that the petitioner's defense sought to establish a novation (R. 36). It seems rather clear that the controversy revolves about the original written agreement between the parties as modified by the oral agreement of January, 1954 and its consistent implementation through to the present time (R. 32). No reformation or novation is either alleged or sought to be established.

Delineated by the written agreement, the written notice of August 26, 1960, and the averments and prayers of the Complaint itself is the plaintiffs' pursuit of the balance of $60,000.00; a legal issue, it is respectfully submitted.

Respectfully submitted,

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[1] "A written instrument may be reformed where it fails to express the intention of the parties thereto as a result of accident, inadvertence, mistake, fraud or inequitable conduct, or both fraud and mistake, fraud or inequitable conduct being on one side and mistake on the other. Conversely, in the absence of satisfactory proof of accident, fraud or mistake, there is no basis for a court of equity to reform an instrument." 45 Am. Jur. §45 (p. 609). *Vittor v. Szymanski*, 321 Pa. 345 (1936).

SUPREME COURT OF THE UNITED STATES

No. 244.—October Term, 1961.

Dairy Queen, Inc., Petitioner, v. Hon. Harold K. Wood, Judge, et al.	On Writ of Certiorari to the United States Court of Appeals for the Third Circuit.

[April 30, 1962.]

MR. JUSTICE BLACK delivered the opinion of the Court.

The United States District Court for the Eastern District of Pennsylvania granted a motion to strike petitioner's demand for a trial by jury in an action now pending before it on the alternative grounds that either the action was "purely equitable" or, if not purely equitable, whatever legal issues that were raised were "incidental" to equitable issues, and, in either case, no right to trial by jury existed.[1] The petitioner then sought mandamus in the Court of Appeals for the Third Circuit to compel the district judge to vacate this order. When that court denied this request without opinion, we granted certiorari because the action of the Court of Appeals seemed inconsistent with protections already clearly recognized for the important constitutional right to trial by jury in our previous decisions.[2]

At the outset, we may dispose of one of the grounds upon which the trial court acted in striking the demand for trial by jury—that based upon the view that the right to trial by jury may be lost as to legal issues where those issues are characterized as "incidental" to equitable issues—for our previous decisions make it plain that no such rule may be applied in the federal courts. In *Scott*

[1] *McCullough* v. *Dairy Queen, Inc.*, 194 F. Supp. 686.

[2] 368 U. S. 874.

v. *Neely*, decided in 1891, this Court held that a court of equity could not even take jurisdiction of a suit "in which a claim properly cognizable only at law is united in the same pleadings with a claim for equitable relief."[3] That holding, which was based both upon the historical separation between law and equity and the duty of the Court to insure "that the right to trial by a jury in the legal action may be preserved intact,"[4] created considerable inconvenience in that it necessitated two separate trials in the same case whenever that case contained both legal and equitable claims. Consequently, when the procedure in the federal courts was modernized by the adoption of the Federal Rules of Civil Procedure in 1938, it was deemed advisable to abandon that part of the holding of *Scott* v. *Neely* which rested upon the separation of law and equity and to permit the joinder of legal and equitable claims in a single action. Thus Rule 18 (a) provides that a plaintiff "may join either as independent or as alternate claims as many claims either legal or equitable or both as he may have against an opposing party." And Rule 18 (b) provides: "Whenever a claim is one heretofore cognizable only after another claim has been prosecuted to a conclusion, the two claims may be joined in a single action; but the court shall grant relief in that action only in accordance with the relative substantive rights of the parties. In particular, a plaintiff may state a claim for money and a claim to have set aside a conveyance fraudulent as to him, without first having obtained a judgment establishing the claim for money."

The Federal Rules did not, however, purport to change the basic holding of *Scott* v. *Neely* that the right to trial

[3] 140 U. S. 106, 117. See also *Cates* v. *Allen*, 149 U. S. 451, in which the principles expressed and applied in *Scott* v. *Neely* were explicitly reaffirmed.

[4] *Id.*, at 110.

by jury of legal claims must be preserved.[5] Quite the contrary, Rule 38 (a) expressly reaffirms that constitutional principle, declaring: "The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate." Nonetheless, after the adoption of the Federal Rules, attempts were made indirectly to undercut that right by having federal courts in which cases involving both legal and equitable claims were filed decide the equitable claim first. The result of this procedure in those cases in which it was followed was that any issue common to both the legal and equitable claims was finally determined by the court and the party seeking trial by jury on the legal claim was deprived of that right as to these common issues. This procedure finally came before us in *Beacon Theatres, Inc.*, v. *Westover*,[6] a case which, like this one, arose from the denial of a petition for mandamus to compel a district judge to vacate his order striking a demand for trial by jury.

Our decision reversing that case not only emphasizes the responsibility of the Federal Courts of Appeal to grant mandamus where necessary to protect the constitutional right to trial by jury but also limits the issues open for determination here by defining the protection to which that right is entitled in cases involving both legal and equitable claims. The holding in *Beacon Theatres* was that where both legal and equitable issues are presented in a single case, "only under the

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[5] "Subdivision (b) [of Rule 18] does not disturb the doctrine of those cases [*Scott* v. *Neely* and *Cates* v. *Allen*] but is expressly bottomed upon their principles. This is true because the Federal Rules abolish the distinction between law and equity, permit the joinder of legal and equitable claims, and safeguard the right to jury trial of legal issues." 3 Moore, Federal Practice, 1831–1832.

[6] 359 U. S. 500.

most imperative circumstances, circumstances which in view of the flexible procedures of the Federal Rules we cannot now anticipate, can the right to a jury trial of legal issues be lost through prior determination of equitable claims."[7] That holding, of course, applies whether the trial judge chooses to characterize the legal issues presented as "incidental" to equitable issues or not.[8] Consequently, in a case such as this where there cannot even be a contention of such "imperative circumstances," *Beacon Theatres* requires that any legal issues for which a trial by jury is timely and properly demanded be submitted to a jury. There being no question of the timeliness or correctness of the demand involved here, the sole question which we must decide is whether the action now pending before the District Court contains legal issues.

The District Court proceeding arises out of a controversy between petitioner and the respondent owners of the trademark "DAIRY QUEEN" with regard to a written licensing contract made by them in December 1949, under which petitioner agreed to pay some $150,000 for the exclusive right to use that trademark in certain portions of Pennsylvania.[9] The terms of the contract pro-

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[7] *Id.*, at 510–511.

[8] "It is therefore immaterial that the case at bar contains a stronger basis for equitable relief than was present in Beacon Theatres. It would make no difference if the equitable cause clearly outweighed the legal cause so that the basic issue of the case taken as a whole is equitable. As long as any legal cause is involved the jury rights it creates control. This is the teaching of Beacon Theatres, as we construe it." *Thermo-Stitch, Inc.*, v. *Chemi-Cord Processing Corp.*, 294 F. 2d 486, 491.

[9] There are two groups of respondents in this case in addition to the district judge who is formally a respondent by reason of the procedural posture of the case. H. A. McCullough and H. F. McCullough, a partnership doing business as McCullough's Dairy Queen, are the owners of the trademark and are entitled under the contract to payment for its use. B. F. Myers, R. J. Rydeen, M. E. Montgomery,

vided for a small initial payment with the remaining payments to be made at the rate of 50% of all amounts received by petitioner on sales and franchises to deal with the trademark and, in order to make certain that the $150,000 payment would be completed within a specified period of time, further provided for minimum annual payments regardless of petitioner's receipts. In August 1960, the respondents wrote petitioner a letter in which they claimed that petitioner had committed "a material breach of that contract" by defaulting on the contract's payment provisions and notified petitioner of the termination of the contract and the cancellation of petitioner's right to use the trademark unless this claimed default was remedied immediately.[10] When petitioner continued to deal with the trademark despite the notice of termination, the respondents brought an action based upon their view that a material breach of contract had occurred.

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and H. S. Dale are the original licensees under the contract through whom petitioner obtained its rights by assignment. This latter group of respondents joined in the action against petitioner on the grounds (1) that they would be responsible to the trademark owners if petitioners defaulted on its obligations under the contract, and (2) that they are themselves entitled to certain royalties under the assignment arrangement. Since the portion of the complaint involving this latter group raises no issues relevant to the question to be determined here which differ from those raised in that part of the complaint involving the trademark owners, the discussion can be restricted to the issues raised by the trademark owners and "respondents" as used in this opinion will refer only to that group.

[10] The full text of the letter sent to petitioner is as follows:

"This letter is to advise you that your failure to pay the amounts required in your contract with McCullough's Dairy Queen for the 'Dairy Queen' franchise for the State of Pennsylvania, as called for in your contract with your assignors, constitutes in our opinion a material breach of that contract.

"This will advise you that unless this material breach is completely satisfied for the amount due and owing, your franchise for 'Dairy Queen' in Pennsylvania is hereby cancelled.

"Copies of this letter are being sent to your assignors."

The complaint filed in the District Court alleged, among other things, that petitioner had "ceased paying . . . as required in the contract;" that the default "under the said contract . . . [was] in excess of $60,000.00;" that this default constituted a "material breach" of that contract; that petitioner had been notified by letter that its failure to pay as alleged made it guilty of a material breach of contract which if not "cured" would result in an immediate cancellation of the contract; that the breach had not been cured but that petitioner was contesting the cancellation and continuing to conduct business as an authorized dealer; that to continue such business after the cancellation of the contract constituted an infringement of the respondents' trademark; that petitioner's financial condition was unstable; and that because of the foregoing allegations, respondents were threatened with irreparable injury for which they had no adequate remedy at law. The complaint then prayed for both temporary and permanent relief, including: (1) temporary and permanent injunctions to restrain petitioner from any future use of or dealing in the franchise and the trademark; (2) an accounting to determine the exact amount of money owing by petitioner and a judgment for that amount; and (3) an injunction pending accounting to prevent petitioner from collecting any money from "Dairy Queen" stores in the territory.

In its answer to this complaint, petitioner raised a number of defenses, including: (1) a denial that there had been any breach of contract, apparently based chiefly upon its allegation that in January 1955 the parties had entered into an oral agreement modifying the original written contract by removing the provision requiring minimum annual payments regardless of petitioner's receipts thus leaving petitioner's only obligation that of turning over 50% of all its receipts; (2) laches and estop-

pel arising from respondents' failure to assert their claim promptly, thus permitting petitioner to expend large amounts of money in the development of its right to use the trademark; and (3) alleged violations of the antitrust laws by respondents in connection with their dealings with the trademark. Petitioner indorsed upon this answer a demand for trial by jury in accordance with Rule 38 (b) of the Federal Rules of Civil Procedure.[11]

Petitioner's contention, as set forth in its petition for mandamus to the Court of Appeals and reiterated in its briefs before this Court, is that insofar as the complaint requests a money judgment it presents a claim which is unquestionably legal. We agree with that contention. The most natural construction of the respondents' claim for a money judgment would seem to be that it is a claim that they are entitled to recover whatever was owed them under the contract as of the date of its purported termination plus damages for infringement of their trademark since that date. Alternatively, the complaint could be construed to set forth a full claim based upon both of these theories—that is, a claim that the respondents were entitled to recover both the debt due under the contract and damages for trademark infringement for the entire period of the alleged breach including that before the termination of the contract.[12] Or it might possibly be construed to set forth a claim for recovery based completely

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[11] "Any party may demand a trial by jury of any issue triable of right by a jury by serving upon the other parties a demand therefor in writing at any time after the commencement of the action and not later than 10 days after the service of the last pleading directed to such issue. Such demand may be indorsed upon a pleading of the party."

[12] This seems to be the construction given the complaint by the district judge in passing on the motion to strike petitioner's jury demand. See 194 F. Supp., at 687–688.

on either one of these two theories—that is, a claim based solely upon the contract for the entire period both before and after the attempted termination on the theory that the termination, having been ignored, was of no consequence, or a claim based solely upon the charge of infringement on the theory that the contract, having been breached, could not be used as a defense to an infringement action even for the period prior to its termination.[13] We find it unnecessary to resolve this ambiguity in the respondents' complaint because we think it plain that their claim for a money judgment is a claim wholly legal in its nature however the complaint is construed. As an action on a debt allegedly due under a contract, it would be difficult to conceive of an action of a more traditionally legal character.[14] And as an action for damages based upon a charge of trademark infringement, it would be no less subject to cognizance by a court of law.[15]

The respondents' contention that this money claim is "purely equitable" is based primarily upon the fact that their complaint is cast in terms of an "accounting," rather than in terms of an action for "debt" or "damages." But the constitutional right to trial by jury cannot be made

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[13] This last possible construction of the complaint, though accepted as the correct one in the concurring opinion, actually seems the least likely of all. For it seems plain that irrespective of whatever else the complaint sought, it did seek a judgment for the some $60,000 allegedly owing under the contract. Certainly, the district judge had no doubt that this was the case: "Incidental to this relief, the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract." 194 F. Supp., at 687.

[14] "In the case before us the debt due the complainants was in no respect different from any other debt upon contract; it was the subject of a legal action only, in which the defendants were entitled to a jury trial in the Federal courts." *Scott* v. *Neely*, 140 U. S. 106, 110. See also *Thompson* v. *Railroad Companies*, 6 Wall. 134.

[15] Cf., *e. g.*, *Arnstein* v. *Porter*, 154 F. 2d 464; *Bruckman* v. *Hollzer*, 152 F. 2d 730.

to depend upon the choice of words used in the pleadings. The necessary prerequisite to the right to maintain a suit for an equitable accounting, like all other equitable remedies, is, as we pointed out in *Beacon Theatres*, the absence of an adequate remedy at law.[16] Consequently, in order to maintain such a suit on a cause of action cognizable at law, as this one is, the plaintiff must be able to show that the "accounts between the parties" are of such a "complicated nature" that only a court of equity can satisfactorily unravel them.[17] In view of the powers given to District Courts by Federal Rule of Civil Procedure, 53 (b) to appoint masters to assist the jury in those exceptional cases where the legal issues are too complicated for the jury adequately to handle alone,[18] the burden of such a showing is considerably increased and it will indeed be a rare case in which it can be met.[19] But be that as it may, this is certainly

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[16] 359 U. S., at 506–510. See also *Thompson* v. *Railroad Companies*, 6 Wall. 134, 137; *Scott* v. *Neely*, 140 U. S. 106, 110.

[17] *Kirby* v. *Lake Shore & Michigan Southern R. Co.*, 120 U. S. 130, 134.

[18] Even this limited inroad upon the right to trial by jury "'should seldom be made, and if at all only when unusual circumstances exist.'" *La Buy* v. *Howes Leather Co.*, 352 U. S. 249, 258. See also *In re Watkins*, 271 F. 2d 771.

[19] It was settled in *Beacon Theatres* that procedural changes which remove the inadequacy of a remedy at law may sharply diminish the scope of traditional equitable remedies by making them unnecessary in many cases. "Thus, the justification for equity's deciding legal issues once it obtains jurisdiction, and refusing to dismiss a case, merely because subsequently a legal remedy becomes available, must be re-evaluated in the light of the liberal joinder provisions of the Federal Rules which allow legal and equitable causes to be brought and resolved in one civil action. Similarly the need for, and therefore, the availability of such equitable remedies as Bills of Peace, *Quia Timet* and Injunction must be reconsidered in view of the existence of the Declaratory Judgment Act as well as the liberal joinder provisions of the Rules." 359 U. S., at 509.

not such a case. A jury, under proper instructions from the court, could readily determine the recovery, if any, to be had here, whether the theory finally settled upon is that of breach of contract, that of trademark infringement, or any combination of the two. The legal remedy cannot be characterized as inadequate merely because the measure of damages may necessitate a look into petitioner's business records.

Nor is the legal claim here rendered "purely equitable" by the nature of the defenses interposed by petitioner. Petitioner's primary defense to the charge of breach of contract—that is, that the contract was modified by a subsequent oral agreement—presents a purely legal question having nothing whatever to do either with novation, as the district judge suggested, or reformation, as suggested by the respondents here. Such a defense goes to the question of just what, under the law, the contract between the respondents and petitioner is and, in an action to collect a debt for breach of a contract between these parties, petitioner has a right to have the jury determine not only whether the contract has been breached and the extent of the damages if any but also just what the contract is.

We conclude therefore that the district judge erred in refusing to grant petitioner's demand for a trial by jury on the factual issues related to the question of whether there has been a breach of contract. Since these issues are common with those upon which respondents' claim to equitable relief is based, the legal claims involved in the action must be determined prior to any final court determination of respondents' equitable claims.[20] The Court

[20] This does not, of course, interfere with the District Court's power to grant temporary relief pending a final adjudication on the merits. Such temporary relief has already been granted in this case (see *McCullough* v. *Dairy Queen, Inc.*, 290 F. 2d 871) and is no part of the issues before this Court.

of Appeals should have corrected the error of the district judge by granting the petition for mandamus. The judgment is therefore reversed and the cause remanded for further proceedings consistent with this opinion.

Reversed and remanded.

MR. JUSTICE STEWART concurs in the result.

MR. JUSTICE FRANKFURTER took no part in the decision of this case.

MR. JUSTICE WHITE took no part in the consideration or decision of this case.

SUPREME COURT OF THE UNITED STATES

No. 244.—October Term, 1961.

Dairy Queen, Inc., Petitioner, v. Hon. Harold K. Wood, Judge, et al.	On Writ of Certiorari to the United States Court of Appeals for the Third Circuit.

[April 30, 1962.]

Mr. Justice Harlan, whom Mr. Justice Douglas joins, concurring.

I am disposed to accept the view, strongly pressed at the bar, that this complaint seeks an accounting for alleged trademark infringement, rather than contract damages. Even though this leaves the complaint as formally asking only for equitable relief,* this does not end the inquiry. The fact that an "accounting" is sought is not of itself dispositive of the jury trial issue. To render this aspect of the complaint truly "equitable" it must appear that the substantive claim is one cognizable only in equity or that the "accounts between the parties" are of such a "complicated nature" that they can be satisfactorily unraveled only by a court of equity. *Kirby* v. *Lake Shore & Michigan Southern R. Co.*, 120 U. S. 130, 134. See 5 Moore, Federal Practice (1951), 198–202. It is manifest from the face of the complaint that the "accounting" sought in this instance is not of either variety. A jury, under proper instructions from the court, could readily calculate the damages flowing from this alleged trademark infringement, just as courts of law often do in copyright and patent cases. Cf., *e. g.*, *Hartell* v. *Tilghman*, 99 U. S. 547, 555; *Arnstein* v. *Porter*, 154 F. 2d 464; *Bruckman* v. *Holzer*, 152 F. 2d 464.

*Except as to the damage claim there is no dispute but that the complaint seeks only equitable relief.

Consequently what is involved in this case is nothing more than a joinder in one complaint of prayers for both legal and equitable relief. In such circumstances, under principles long since established, *Scott* v. *Neely*, 140 U. S. 106, 110, the petitioner cannot be deprived of his constitutional right to a jury on the "legal" claim contained in the complaint.

On this basis I concur in the judgment of the Court.